



WASHINGTON STATE

Auto Dealer's Guide

T o E x c i s e T a x e s

Fall 2000

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FORWARD

This manual is the culmination of the combined efforts of the Department of Revenue and the Washington State Auto Dealers Association.

The Automobile Dealers Guide has been written to help new and used vehicle dealers and the people who work with them understand Washington tax laws so taxes are collected and paid correctly.

The information in this manual is current as of the date of printing. Please remember, our laws change on a regular basis and changes after the printing date may make some information in this manual incorrect. If you have any questions, please call the Department of Revenue Telephone Information Center at 1-800-647-7706 or Teletype (TTY) at 1-800-451-7985.

We appreciate the Washington State Auto Dealers Association for their cooperation in updating this manual and guidance throughout the project. Also, special thanks to the Washington State Auto Dealers Association for the printing and distribution of this manual.



TAXPAYER RIGHTS AND RESPONSIBILITIES

THE TAXPAYERS OF THE STATE OF WASHINGTON HAVE THE

RIGHT TO

Simple and prompt administrative process for tax refunds and credits.

Timely, fair and equitable treatment with dignity and respect.

Accurate written information on reporting instructions, appeal procedures, refund claims and reasons for assessment.

Public hearings on proposed rules.

Review and appeal of assessments, business registration revocation and adverse rulings.

Remedies when statutes and rules are found to be unconstitutional.

Confidentiality of financial and business information.

RCW 82.32A.

RESPONSIBILITY TO

Register with the Department of Revenue.

Know their tax reporting obligations and seek instructions when they are uncertain.

Keep accurate and complete business records.

File returns and pay taxes in a timely manner.

Ensure the accuracy of the information entered on their tax returns.

Substantiate claims for refund.

Notify the Department of Revenue and pay taxes promptly when closing a business.

What are accommodation sales?

Automobile dealers often sell a vehicle or other items at cost to another dealer so that the "receiving" dealer can fill an existing order. These transactions are generally referred to as "accommodation sales".

What are dealer trades?

Automobile dealers often trade inventory to other dealers for various reasons. Sometimes a vehicle is traded for another vehicle and sometimes it is merely transferred or sold to another dealership. Often these "trades" are booked as inventory transfers rather than as sales. Dealer trades differ from accommodation sales because the receiving dealer generally does not have an existing order of a customer for the item.

Taxable?

Accommodation sales made by one dealer to another are not taxable to the "first" dealer if the amount charged does not exceed the original cost of the item, and the receiving dealer has an existing order of a customer for the item.

Dealer trades are taxable wholesale sales.

Reimburse previous accommodation sale

When an accommodation sale occurs, the receiving dealer may reimburse the first dealer in kind within fourteen days of the original accommodation sale. This reimbursement is also considered an accommodation sale when sold at cost.

What does "original cost" mean?

"Original cost" can include the amount paid (invoice not reduced by holdback) by the first dealer at the time the item was first purchased, as well as any additional costs which the dealer can document. These original costs must be directly traceable to the item being sold.

Who can make accommodation sales?

Accommodation sales can include sales by a dealer to another dealer or to a leasing company, provided the sale is made at cost and the leasing company has an existing order from a customer.

Business and occupation tax

Amounts received for accommodation sales must be included in the Wholesaling-Other B&O tax classification, but may be deducted. The deductions should be shown under the category Casual Sales/Accommodation Sales on the deduction detail sheet.

Dealer trades are **not** deductible.

Documentation

Accommodation sales must be documented. The original accommodation sale can be documented by obtaining a completed Motor Vehicle Accommodation Sale Invoice form (page 1-4) from the receiving dealer. Note that the first box should be checked. In addition, the first dealer must show that the amount charged did not exceed the original cost of the item.

To document a reimbursement of the original accommodation sale, reimbursing dealer can obtain a Motor Vehicle Accommodation Sale Invoice form from the dealer being reimbursed. Note that the second box should be checked. In addition, the reimbursing dealer must show:

- That the amount charged did not exceed the original cost of the item;
- That the reimbursement was made within 14 days of the original accommodation sale; and
- That the original accommodation sale had an existing order from a customer.

The form on page 1-4 may be purchased from the Washington State Auto Dealers Association. Similar forms may be purchased at business stationery stores or drafted by each dealer for their own use.

The documentation must be kept by the seller for 5 years.

Examples

1. XYZ dealer has a purchase order from a customer for a vehicle of a specific model, color, and options. XYZ does not have a vehicle in stock that meets the requirements of the customer. XYZ learns that ABC Dealer has a vehicle in stock which will meet the purchaser's requirements. ABC agrees to sell the vehicle to XYZ at actual cost. The agreed price includes transportation costs and costs incurred by ABC in preparing the vehicle for sale. The sale by ABC to XYZ is an accommodation sale and not taxable.

2. Assume the same facts as in example 1, except that ABC charges XYZ \$200 in excess of costs. This transaction is taxable. Since the selling price exceeds documented costs, the conditions for exemption have not been met.

3. ABC decides to sell several older cars from its inventory to XYZ. These cars are all sold at cost or below cost. There is no indication that XYZ has an existing order from a customer for any of these cars. These sales, even if made at cost, are taxable wholesale sales since all of the requirements for exemption have not been met.

Reference

Revised Code of Washington (RCW) 82.04.425
Washington Administrative Code (WAC) 458-20-208

Motor Vehicle Accommodation Sale Invoice

Sold By:.....

Sold To:.....

.....

.....

.....

.....

Selling Price.....

Date of Sale.....

Description of Vehicle:

Make.....

Model.....

Year.....

Motor No.....

Serial No.....

(The purchasing dealer to certify by signature to the appropriate information below)

I certify that the vehicle described above was purchased this date for the total price indicated for the purpose of

(check one)

☐ Filling a bona fide order of one of my customers, which order is presently in my files and will be retained and available for examination at any time by the Tax Commission within five years from this date.

☐ Reimbursing in kind the following accommodation sale made on....., 19.....:

Make.....

Model.....

Year.....

Motor No.....

Serial No.....

.....
Purchasing Dealer

By:.....

.....
Title

AFFILIATED COMPANY TRANSACTIONS 2-1

What are affiliated company transactions?

Some dealers choose to form separate legal entities to engage in various activities of the dealership. For example, the dealership may have a separate corporation for transacting leases. There may also be separate corporations with common ownership where more than one line or make of new vehicles are sold. In some cases, assets such as equipment may be owned by an individual and leased to the corporation with the individual owning all of the stock of the corporation.

Fully taxable

Transactions between affiliated legal entities are fully taxable. The transactions are taxed in the same manner as if they were not affiliated. Whether the transaction is wholesale or retail will depend on the nature of the particular sale.

Examples

1. ABC Dealer is a corporation selling new vehicles. XYZ Leasing is a corporation which leases vehicles to consumers. The corporate stock of XYZ is wholly owned by ABC. Customers who are interested in leasing a vehicle will select the vehicle from ABC. ABC will then sell the vehicle at cost plus \$500 to XYZ and XYZ will lease the vehicle to the customer. The sale from ABC to XYZ is taxable under the Wholesaling B&O tax classification, measured by the total selling price charged to XYZ. XYZ is taxable under the Retailing classification and required to collect and remit retail sales tax on the monthly lease charges. The fact that ABC and XYZ are affiliated has no bearing on the transaction.

2. Mr. Smith owns all of the corporate stock of ABC Dealer, Inc. Mr. Smith also owns the building and all of the major equipment that is used by the dealership and charges the dealership a monthly lease or rental charge. The rental of the building is a nontaxable rental of real property. The rental of the equipment is a retail sale. Mr. Smith is required to collect and remit retail sales tax on the equipment rental charges, and is subject to the Retailing B&O tax. He may purchase the equipment without payment of retail sales tax, if the equipment is purchased for purposes of renting or leasing the equipment to the corporation with no intervening use.

References

Washington Administrative Code (WAC) 458-20-102
Washington Administrative Code (WAC) 458-20-211

AUTOMOBILE MANUFACTURERS ASSIGNING CARS TO THEIR EMPLOYEES IN WASHINGTON

3-1

Automobile manufacturers or distributors will often assign vehicles to their employee representatives for demonstration purposes, sales solicitation and personal use in the state.

What is required?

An employee representative of an automobile manufacturer or distributor may license an automobile in Washington by going to a Department of Revenue office and completing a Declaration of Use Tax showing the name of the manufacturer or distributor. The form will show that use tax is not due based on WAC 458-20-132 (8).

How often can a factory rep license vehicles?

It is common practice to replace these vehicles frequently so that several vehicles may be used by a company representative during the course of the year.

Factory representatives may exchange vehicles every three or four months or a certain number of miles.

How taxed

When employee representatives desire to license replacement automobiles of the same model year, the Department will waive payment of use tax on the replacement, provided that use tax has been paid under the following formula.

Computation of the use tax is based on the average selling price of all new cars sold in the preceding year multiplied by the maximum complement of cars of each model year in use at any time during the year. The tax is due at the start of the model year. No further use tax is due on the usual turnover or replacement of cars within the model year.

Verification

A copy of the Declaration of Use Tax will be retained by the Department of Revenue. A Department of Revenue auditor may later verify payment of the appropriate amount of use tax.

AUTOMOBILE MANUFACTURERS ASSIGNING CARS TO THEIR EMPLOYEES IN WASHINGTON

3-2

Limited use

This ruling applies only to automobile manufacturers and their distributors when the vehicle is being registered in the name of the respective manufacturer or distributor.

Reference

Washington Administrative Code (WAC) 458-20-132

What is it?	A casual sale is a sale of tangible personal property by a person who is not engaged in the business of selling the type of property involved.
Business and occupation tax	<p>Business and occupation tax does not apply to casual sales.</p> <p>The amount of the sale must be reported under the Retailing B&O tax classification, but a deduction may be taken on the deduction detail sheet for casual sales.</p>
Retail sales tax	The retail sales tax must be collected on all casual sales made to consumers by a person who is engaged in a business activity.
Example	A dealership who is upgrading their computer system sells their old computer to one of its employees. The dealer is not in the business of selling computers, therefore no B&O tax is due, but the dealer must charge the employee retail sales tax on the selling price of the computer.
References	Revised Code of Washington (RCW) 82.04.040 Washington Administrative Code (WAC) 458-20-106 Excise Tax Advisory (ETA) 318.04.106.211

What is a consignment sale?

A consignment sale is when the actual owner of a vehicle (the consignor) enters into a written agreement with a dealer (consignee) to sell a vehicle and to act as an agent for the vehicle owner.

Conditions of consignment sale

When a dealer acts as an agent for a vehicle owner, several conditions must be present.

1. The books and records of the agent must show that the transaction was made in the name of and for the owner of the vehicle.
2. The records must show the vehicle owner's name, the model and description of the vehicle and the buyer's name.
3. The records must show the actual amount received for the sale, the amount of commission received and any other incidental income received by the dealer for the transaction.

Tax due

When an UNREGISTERED person consigns a vehicle to a dealer for sale, the dealer will collect the retail sales tax. The dealer will remit the retail sales tax on its Combined Excise Tax Return. Under the Retailing B&O tax classification, the dealer will take a deduction for the amount of the consignment sale on the deduction detail sheet. The dealer will pay the Service and Other Activities B&O tax on the amount received as commission and any other fees for the sale.

When a REGISTERED dealer consigns vehicles to another dealer for sale, the consignee (selling dealer) must report their commission and any other fees under the Service and Other Activities B&O tax classification. However, the retail sales tax should be turned over to the consignor to be reported on its Combined Excise Tax Return. The consignor owes the Retailing B&O tax and must remit the retail sales tax on the full selling price.

Dealer selling in own name

When the dealer sells a vehicle received from an unregistered person in its own name, the sales are retail sales and the dealer must pay the Retailing B&O tax and collect the retail sales tax.

Sales in the dealer's name of vehicles from other dealers are also considered retail sales, subject to the Retailing B&O tax and the retail sales tax. The consigning dealer, in this case, is making a wholesale sale to the selling dealer and must report under the Wholesaling-Other B&O tax classification.

Example

John Jones consigns his vehicle to Dealer A located in Olympia, Washington. Mr. Jones says he does not want the car sold for less than \$3,000. A contract is drawn up showing that John Jones has consigned his particular vehicle, make and model, color, special markings and equipment, to Dealer A for sale for no less than \$3,000. Dealer A will try to sell the car for one month. If Dealer A sells the car, he will receive a 10% commission plus a fee of \$50.

Dealer A sells the car for \$4,000. Dealer A is required to collect the retail sales tax on \$4,000 at the Olympia rate of 8.0% or \$320. Dealer A takes his 10% commission, \$400, plus his fee of \$50 and gives the remaining \$3,550 to John Jones who owes no taxes.

Dealer A completes its Combined Excise Tax Return in the following manner: \$450 under Service and Other Activities, \$4,000 under Retailing with a deduction of \$4,000 described as consignment sale, \$4,000 under state sales tax and \$4,000 under the local sales tax coded to location code 3403. Dealer A must remit \$328.23 to the Department of Revenue for this transaction: \$8.23 Service B&O; \$260 state sales tax; and \$60 local sales tax.

Trade-Ins

For a discussion of trade-ins relating to consignment sales, see TRADE-INS (Chapter 37).

References

Revised Code of Washington (RCW) 82.08.040
Washington Administrative Code (WAC) 458-20-159
Washington Administrative Code (WAC) 458-20-221

What is a core charge?

Persons who rebuild automotive parts such as water pumps, clutches, alternators, etc., make a "core" charge to the customer at the time a rebuilt part is sold. The core charge is a means used by the rebuilder to ensure a supply of rebuildable parts. This core charge generally follows the part through the distribution chain (rebuilder, distributor, wholesaler, retailer) to the final sale to the consumer.

Is the core charge refunded?

The core charge will be refunded to the customer if the customer gives the seller a rebuildable part.

B&O tax due

The used part which is returned to the seller and eventually to the rebuilder is considered to be part of the consideration paid for the rebuilt part. The B&O tax is due on the full selling price which includes the core charge.

Considered trade-in - reduced sales tax

The return of the used part is considered as a trade-in and a reduction of the value on which retail sales tax is due.

Batteries

In the case of batteries, the law requires the seller to make a five dollar minimum core charge to encourage the recycling or remanufacturing of batteries.

Return of rebuildable parts by dealer to supplier

The return of rebuildable parts by the dealer to the supplier is not a taxable transaction.

References

Revised Code of Washington (RCW) 82.08.010
Revised Code of Washington (RCW) 82.08.036
Washington Administrative Code (WAC) 458-20-247
Washington Administrative Code (WAC) 458-20-250
Excise Tax Advisory (ETA) 163.04.08.107.247.250

What is a demonstrator vehicle?

A demonstrator vehicle is a vehicle provided by dealers to their sales staff, without charge, for any personal or business reason other than (or in addition to) the mere display or test driving of prospective purchasers.

B&O tax not due

The B & O tax does not apply upon transfer of vehicles to employees or other representatives for their personal use, including demonstration, when no sale occurs.

B&O tax due

Automobile dealers are taxable under the Retailing classification on the sale or lease of automobiles to their employees or other representatives for personal use, including demonstration.

Retail sales tax due

The retail sales tax applies on the sale or lease of automobiles, parts, and accessories by dealers to their employees or other representatives for personal use by such persons. The retail sales tax does not apply to the display of automobiles where no sale takes place.

Use tax due

When an automobile dealer purchases a passenger car or pickup truck without paying retail sales tax and uses the car or truck for personal use or demonstration purposes, the use tax applies even if such personal car or demonstrator may later be sold by the dealer.

Use tax not due

The use tax does not apply to the display or short term test driving of new or used automobiles by dealers, their employees or other representatives. Neither does use tax apply upon the personal use or demonstration of automobiles which have been sold or leased to dealer's employees or other representatives on which retail sales tax has been paid. If the dealer reports under the "actual method," use tax will not apply on demonstrator vehicles if no such vehicles are actually used.

How is use tax computed?

Automobile dealers may elect to compute the use tax on the use of demonstrators (passenger vehicles and pick-up trucks up to 3/4 ton) by sales staff on either a "one per 100 vehicles sold" basis or on an "actual number of demonstrators used" basis. Use of the one per 100 vehicles sold method will satisfy the use tax liability for personal or business use of demonstrators by sales staff employed by a new car dealer. However, the one per 100 vehicles sold method will not satisfy the use tax liability for the personal or business use of vehicles by persons other than sales staff employed by the dealership.

How do you figure the 1 to 100 car basis?

The use of demonstrators is subject to the use tax on the basis of one demonstrator for each 100 new cars and pickup trucks, or fractional part of such number, of all makes or models sold at retail, including lease transactions during a calendar year. The first demonstrator vehicle reported during any calendar year is subject to use tax measured by the full average retail selling price. The average retail selling price is determined by including dealer preparation, transportation, and factory installed accessories of all makes and models of new passenger cars and pickups sold during the preceding calendar year divided by the number of such units sold. The use tax on each subsequent demonstrator is measured by 25 percent of the average selling price.

Example

A dealer with \$3,000,000 in new vehicle gross sales for the previous year, who sold 250 units that year derives an average selling price of \$12,000. The very first demonstrator use in the current year will be valued at \$12,000. All subsequent demonstrators reported in the current year, based upon the formula of one demonstrator for each 100 units sold, will be \$3,000. The use tax is paid as of the date of the first sale in any calendar year and subsequently upon the sale of the 101st car or truck. If a dealer sold 340 units in the current year, use tax would be due on four units (the first at 100 percent of the average retail selling price of all new vehicles sold in the preceding year and the remaining three at 25 percent of the previous year's selling price of new vehicles).

Use tax on actual use basis

Dealers who report use tax on demonstrators on an actual basis are required to report use tax on each vehicle assigned to demonstrator use. The value is computed in the same manner as under the one per 100 basis. The first vehicle in the current year which is used for demonstrator use is taxable on the full average selling price of all new vehicles sold in the preceding year. Additional vehicles during the year which are put to use as demonstrators are taxable at 25 percent of the average selling price of new vehicles sold in the preceding year.

Can the actual reporting basis be applied to use of vehicles other than demonstration?

No, this method of computation applies only to use by sales staff of demonstrator vehicles operated under dealer plates issued to the dealership. Vehicles which are required to be licensed other than to the dealership are generally used substantially for purposes other than demonstration and are subject to use tax. The use tax is measured by the actual value (purchase price) of these vehicles.

Changing reporting methods

When an automobile dealer has elected to report the use tax under the "one per 100 basis," or upon the actual number of demonstrators used, it must petition the Department of Revenue, in writing, to change the reporting method.

See PERSONAL USE OF USED VEHICLES (Chapter 28) for tax liability of used car dealers.

Reference

Washington Administrative Code (WAC) 458-20-132

What is a discount?

A discount is an amount or percentage taken off of the actual selling price. The balance is the amount on which the retail sales tax is charged.

How should a discount be reported on the Combined Excise Tax Return?

When the dealer gives a true discount (not reimbursed by the manufacturer or anyone else), the amount the retail customer is actually charged is subject to the retail sales tax and the Retailing business and occupation tax. If the sale is a wholesale sale, the amount the customer is charged is subject to the Wholesaling-Other B&O tax classification.

The amount of the sale, before the discount is subtracted, should be reported in the gross amount column of the Combined Excise Tax Return. When the discount is given, the amount of the discount may be deducted in the deduction column. Discounts on retail sales are deductible under both the Retailing B&O and retail sales tax classifications, when the discount is subtracted before retail sales tax is added. Discounts on wholesale sales may be deducted under the Wholesaling-Other B&O tax classification.

Early pay discount

Dealers often will reduce a bill for a customer who pays early. This is also a discount.

Example

Dealer A sells parts to a used car dealer who, in turn, uses these parts to repair vehicles for resale. Dealer A will give the used car dealer a 10% discount if the total bill is paid in full by the 10th of the following month. If the discount is taken, the full amount of the sale should be reported under Wholesaling-Other and a deduction for the discount should be taken on the return.

Senior citizen discount

A typical discount given by new automobile dealers is to senior citizens. With proof of their age, a percentage will be removed from the cost of repair labor and parts.

Example

Dealer A gives persons over 65 years of age a 10% discount. The repair labor and parts total \$100. Removing the 10% discount would lower the cost to \$90. Retail sales tax and the Retailing business and occupation tax would be due on \$90.

If the repair labor and parts are covered by a warranty or maintenance agreement, the senior discount will not apply to any part of the charge (including the deductible).

References

Washington Administrative Code (WAC) 458-20-107
Washington Administrative Code (WAC) 458-20-108
Revised Code of Washington (RCW) 82.04.160

What is a rebate?

A rebate is a refund given to the buyer by the manufacturer, the distributor or the dealer.

How is a rebate used?

The customer may use the rebate as a portion of the down payment on the vehicle or may take the rebate as cash and not apply it to the vehicle sale. Many manufacturers require that the rebate be used against the purchase price of the vehicle.

How are rebates taxed?

Rebates from the manufacturer or distributor are part of the selling price of the vehicle. The amount of the rebate may not be deducted from the selling price before retail sales tax is charged, nor may it be deducted before computing the B&O tax.

Rebates from the dealer are considered discounts and are not part of the selling price. These rebates/discounts are not subject to the Retailing B&O tax or the retail sales tax.

Example

Manufacturer A offers a \$1,000 rebate for the purchase of a new pickup truck. The customer may elect to use the \$1,000 as part of the down payment or take the \$1,000 cash and spend it in some other manner. The agreed selling price of the pickup truck is \$15,295. In either case, the amount subject to retail sales tax is \$15,295. When using the rebate as part of the down payment, the customer will only finance or pay \$14,295 plus interest. When taking the rebate for cash, the customer will finance or pay \$15,295 plus interest.

What is the difference between discounts and rebates?

With a discount, the customer does not have the option to receive the cash and the seller is actually taking a loss. With a rebate, the amount is given to the customer to be used as a part of the sale or to take as cash. The seller does not take a loss.

Manufacturers may also give discounts to dealers. See FACTORY FLOORING (Chapter 13) for more details.

References

Washington Administrative Code (WAC) 458-20-108
Excise Tax Advisory (ETA) 494.08.108

What is a "donated" vehicle?

Vehicles loaned to nonprofit or other organizations.

Use tax due

The use tax applies to the value of vehicles that are required to be licensed and are loaned or donated to civic, religious, nonprofit or other organizations.

Computation of the use tax

The use tax may be computed for loaned vehicles on a value of two percent per month multiplied by the purchase price of the vehicle. Such tax is in addition to the tax on the use of demonstrators as provided in Washington Administrative Code (WAC) 458-20-132.

Temporary letter of authority

Vehicles that are not required to be licensed and are used for the purpose of promoting or participating in an event such as a parade, pageant, convention, or other community activity are not subject to the use tax provided the dealer obtains a temporary letter of authority from the Department of Licensing or a special plate in accordance with RCW 46.16.048.

References

Washington Administrative Code (WAC) 458-20-132
Excise Tax Advisory (ETA) 314.12.178

Driver education vehicle	A driver education vehicle is one equipped with dual controls, loaned to and used exclusively by a school in connection with its driver training program.
School requirements	<p>The term "school" applies only to:</p> <ol style="list-style-type: none">1. The University of Washington, Washington State University, the regional universities, The Evergreen State College and the state community colleges or2. Any public, private or parochial school accredited by either the state board of education or by the University of Washington (the state accrediting station) or3. Any public vocational school meeting the standard courses and requirements established and prescribed or approved in accordance with the Community College Act of 1967.
Exempt	Driver education vehicles loaned to and used for driver education by schools as defined above are exempt from the retail sales and use taxes.
Forms required	The Department of Licensing and the Superintendent of Public Schools require a form called <u>Agreement For Use of Traffic Safety Education Cars</u> to be completed in quintuplicate. Four copies must go to the Office of the Superintendent of Public Instruction and the last copy must go to the Department of Licensing. A copy of this form is on page 10-2. The Department of Revenue will accept a copy of this properly completed form as satisfactory proof that the car was donated to the school for driver education.
Purchase of vehicle	A vehicle, with dual controls for use in driver education, <u>purchased</u> by a school district is subject to the retail sales tax at the time of purchase. The law does not provide any exemptions for the <u>purchase</u> of such vehicles.
References	Revised Code of Washington (RCW) 82.12.0264 Washington Administrative Code (WAC) 458-20-178



Office of Superintendent of Public Instruction
TRAFFIC SAFETY EDUCATION

AGREEMENT FOR USE OF TRAFFIC SAFETY EDUCATION CARS

Agreement entered into this _____ day of _____, 19____,

between _____

NAME OF DEALER

TAX NUMBER

ADDRESS

CITY

STATE

ZIP

NAME OF SCHOOL DISTRICT

ADDRESS

CITY

STATE

ZIP

hereinafter called Dealer and School District respectively.

Dealer shall deliver to School District the below-described, free-loan vehicles:

MAKE OF CAR

SERIAL NUMBER

YEAR

LICENSE NUMBER

For School District's special use from _____, 19____, to _____

DATE

_____, 19____, which shall be the termination date of this

DATE

agreement. All of the terms and provisions contained on the reverse side hereof are by the reference incorporated in this agreement.

Dealer _____ Date _____, 19____

By _____ Title _____

School District _____ Date _____, 19____

By _____ Title _____

AFFIDAVIT AND CERTIFICATE OF EXEMPTION

Signature of Agent for Department of Revenue

Date _____, 19____

What is an executive vehicle?

An executive vehicle is a vehicle regularly used by a dealer or a person associated with a dealership (firm executive, corporate officer, partner, or manager) who does not have a recent model car registered and licensed in his/her own name for personal driving.

Executive vehicles do not include those provided to the sales staff. See DEMONSTRATOR USE OF VEHICLES (Chapter 7)

How is the use tax determined?

The use tax applies to the value of one such car for each two calendar years in addition to the tax which applies to demonstrator use by sales staff.

The measure of the use tax is the same as the measure for the computation of use tax on subsequently used demonstrator vehicles. It is, 25 percent of the average selling price of all makes and models of new passenger cars and pickup trucks sold at retail during the preceding year.

Vehicles not sold by the dealership

The dealer may not include new vehicles which are not of the type or model of new vehicles authorized to be sold by the dealer's franchise agreement within the executive car reporting method.

Only vehicles removed from inventory for use by the executives are considered executive vehicles.

Special purchases

Vehicles purchased specifically for use by the executives are taxable on the purchase price of each vehicle.

Vehicles used by the immediate family of executives

No use tax, in addition to that outlined above will be due if members of the immediate family of the executive also use a vehicle from inventory which is not otherwise licensed or required to be licensed.

"Immediate family" includes only the spouse and children of the executive who live in the same household as the executive.

Reference

Washington Administrative Code (WAC) 458-20-132

Who is exempt from retail sales tax?

Dealers may sell vehicles or trailers to the following types of customers without collecting retail sales tax:

1. Nonresidents of Washington, including persons from other countries. See NONRESIDENTS (Chapter 25)
2. Nonresident military personnel who are temporarily stationed in Washington. See MILITARY (Chapter 22)
3. ICC carriers with authority to transport across the state's boundaries. See INTERSTATE AND/OR FOREIGN COMMERCE CARRIERS (Chapter 18)
4. Native Americans and their tribes. See NATIVE AMERICANS (Chapter 24)
5. The United States Government. See GOVERNMENT SALES (Chapter 16)
6. Foreign Governments and diplomats. See GOVERNMENT SALES (Chapter 16)

Specific conditions required

There are specific conditions that must be met in order for these sales to be exempt from retail sales tax. Certain affidavits are required to document that the customers have qualified for the sales tax exemption. These affidavits should be retained as permanent records subject to audit.

Contradictory information

Dealers must exercise good faith and a degree of care when taking affidavits. Other contradictory information in a customer's file may negate the exempt status of the sale. Contradictory information could include financing applications, credit bureau information, or other documents that show that the customer is a Washington resident.

Example

A customer claims to be an Oregon resident and purchases a new vehicle at a Washington dealership. The Oregon resident shows an Oregon driver's license, an Oregon fishing license and has a post office box mailing address in Oregon which matches the driver's and fishing licenses. The down payment is made with a check from a local bank and that same bank will be the lien holder on the vehicle. There is good cause to check further to be sure the customer is actually an Oregon resident. Additional proof, such as Oregon income tax returns, Oregon voter's registration and a physical address in Oregon should be requested.

Methods allowing tax exemption

1. Trip Permit - The vehicle or trailer must leave the dealer's premises under the authority of a trip permit. An affidavit, such as the one on page 12-4, must be used when this method is used. If the vehicle or trailer has valid Washington plates, the plates must be removed prior to final delivery. Records must be kept showing disposal of the removed plates.
2. Nonresident License Plates - The vehicle must leave the dealer's premises with license plates issued by the state of residence of the customer, or in the case of military personnel, a 45-day permit. An affidavit similar to the one on page 12-4 must be used when this method is used.
3. Out of State Delivery - The vehicle or trailer must be delivered to the customer outside Washington. It cannot be licensed or titled in Washington nor can it have valid Washington plates attached at the time of final delivery. Use the certificate on page 12-5 when this method is used.
4. Delivery Shipline - The vehicle or trailer must be delivered to shipping terminals for delivery to persons who reside in non-contiguous states. It cannot be licensed or titled in Washington nor can it have valid Washington plates attached at the time of final delivery.

Methods allowing tax exemption (cont)

5. U.S. Government - The dealer must have documentation that the sale was to the United States government and was paid for by government voucher.

6. Foreign Governments and Diplomat - A copy of the diplomatic exemption card must be kept in the dealer's records.

Affidavits

Copies of affidavits may also be found in WAC 458-20-177. There is no specific affidavit for sales to the government or for sales to persons with diplomatic cards. The affidavits must be taken at the time of delivery. They will not be accepted by the Department, if received after the fact.

B&O and retail sales tax

Under 1, 2, 4, 5 and 6, exemption is authorized for the retail sales tax only. Under 3, both the B&O and retail sales tax are exempt.

References

Revised Code of Washington (RCW) 82.08.0263
Revised Code of Washington (RCW) 82.08.0264
Washington Administrative Code (WAC) 458-20-174
Washington Administrative Code (WAC) 458-20-177
Washington Administrative Code (WAC) 458-20-192
Washington Administrative Code (WAC) 458-20-193

AFFIDAVIT**12-4**

For use by a NONRESIDENT buyer of a vehicle transporting the same outside this state under the authority of

- (a) ☐ Trip permit
(b) ☐ Nonresident license plates (check appropriate box)

STATE of WASHINGTON }

} ss.

COUNTY of }

(Purchaser), being first duly sworn on oath, deposes and says:

That he is a bona fide resident of the State of _____ and that his address is (street and number or rural route), (city, town or post office), (state); That on this date he has purchased from (dealer) the following described vehicle, to-wit:

Make _____ Model _____
Year _____ (Motor Number)(Serial No.) _____

and that said vehicle is being purchased for use outside this state and that the same will be driven from the premises of the dealer under the authority of (a) a trip permit numbered _____ which has been issued to him authorizing the transit of said vehicle, or, (b) that said vehicle is being purchased for use outside this state and will not be used in the State of Washington for more than three months; and That the affiant has licensed said vehicle in the state of _____ and has had issued to him by that state license plates numbered _____ which are valid until (expiration date of license) and that said plates have been affixed to said vehicle prior to the time it has left the premises of the dealer.

Dated at _____, Washington, this _____ day of _____, 20____. _____
(Signature)

Service No. if Member of Armed Services

Subscribed and sworn to before me this _____ day of _____, 20____. _____
(Signature)

Notary Public in and for the State of _____ Washington, residing at _____

CERTIFICATE OF DEALER

I hereby certify that before final delivery of the vehicle described in the foregoing affidavit (a) I have examined trip permit No. _____ which authorizes transit of the vehicle described, or (b) that license plates numbered _____, issued to said vehicle by the state of _____ and expiring _____, were affixed thereto. I further certify that I have personally examined two or more of the following items of documentary evidence showing the purchaser's residency in the state of _____:

_____ Driver's license	_____ Voter's registration
_____ Fishing or hunting license	_____ Income tax returns
_____ Other (specify) _____	

I further certify that if the vehicle sold was already licensed with valid Washington plates, they were physically removed by _____, agent of the seller.

(Signature of dealer or representative)

(Title-Officer or Agent)

CERTIFICATE OF OUT-OF-STATE DELIVERY

12-5

(To be obtained from the purchaser at the time delivery is made to him at a point outside Washington)

The undersigned hereby certifies that he/she is a bona fide resident of the State of _____ and that his address is _____, _____, _____; That on the _____
(street and number or rural route) (city, town or post office) (state)

day of _____, 20____, he purchased from _____ the following described vehicle to-wit:
(Dealer)

Make _____ Model _____
Year _____ (Motor Number) _____
(Serial No.) _____

and that said vehicle was purchased for use outside Washington state;
That under the terms of the sales agreement the dealer was required to, and did on this day, deliver said vehicle to him at _____.
(Place of delivery)

Dated at _____, _____, this _____ day of _____, 20____.

(Signature)

Service No. if Member of Armed Services

CERTIFICATION OF DEALER

I hereby certify that I have this day delivered the vehicle hereinabove described to _____, at
(Name of Purchaser)

_____.
(Place of Delivery)

Dated _____

(Signature of dealer
or representative)

(Title-
Officer or Agent)

All vehicles purchased by a dealer and placed into inventory carry a surcharge from the manufacturer for interest expense credits. A portion of this surcharge is for the dealers holdback program and the rest is for the dealers Wholesale Floor Plan Protection Program (WFPP).

Holdback program

This amount is a credit to the dealer's open account in the month or quarter immediately following the date the vehicle is invoiced to the dealership.

WFPP (Wholesale Floor Plan Protection Program)

This plan has two options.

Under Option 1, the dealership receives the holdback automatically, it is not contingent on the dealer financing or even selling the vehicle. The second portion under the WFPP is returned to the dealer in a different format. An amount derived by formula is credited to the dealer during the month immediately following the date the dealership was invoiced for the vehicle. The dealer receives a certain number of "interest free" days and a guaranteed rate for additional days.

If the vehicles are financed through a lender, not the manufacturer, a credit is given to the dealership for all additional interest paid above the guaranteed rate up to the rate charged by the manufacturer. This amount is computed up to the date the vehicle is sold and is credited to the dealer's open account.

Under Option 2, both portions are credited to the dealer's open account on a monthly basis. The dealer receives credit for exactly the same surcharge listed on its purchase invoice that it paid to the manufacturer.

Tax due

No tax is due on these credits, they are merely an adjustment to the original purchase price of the vehicle.

Other programs

Dealers receive payment from manufacturers through a number of programs. The taxability of the payments depends on the nature of the program. Payments that are bona fide cash discounts taken by the dealer or represent an adjustment to the dealer's purchase price are not subject to tax. However, payments (whether credits against future purchases, checks, or cash) received for providing any services to the manufacturer, are subject to B&O tax. For example, dealers are often required by the manufacturer to inspect, condition and repair vehicles prior to sale by the dealer. Payment for these "make-ready" services are subject to the wholesaling B&O tax whether it is termed a "dealer discount", "holdback", "refund", or "reimbursement".

References

Washington Administrative Code (WAC) 458-20-108
Washington Tax Decision (WTD) 11 WTD 263 (1991)
Excise Tax Advisory (ETA) 034.04.108

Consumer tax collected by dealer as agent

Consumer taxes collected by the dealer as an agent for the federal government are not subject to the business and occupation tax and the retail sales tax. These taxes are calculated BEFORE the federal tax is added.

Examples of federal tax not subject to sales tax

A federal tax not subject to the retail sales or B&O tax is the 5% luxury tax charged on vehicles which cost over \$38,000.

Another federal consumer tax is the 12% excise tax charged on certain trucks, tractors and trailers. As with the luxury tax, the retail sales tax and B&O tax are figured before this tax is added to the selling price as long as they remain consumer taxes.

Business tax on dealer or manufacturer

When the tax is on the business selling the vehicle, such as the gas guzzler tax which is imposed on the manufacturer or importer, the business and occupation tax and the retail sales tax are figured AFTER that tax has been added.

Taxes separately stated

The taxes imposed on the manufacturer, importer or seller of vehicles may or may not be separately stated on the manufacturer's suggested retail price sticker. In either case, the tax must be included in the amount subject to the B&O and retail sales taxes.

Questions

If a dealer has any questions about whether a tax should be included in the "selling price" or the "gross proceeds of sales" for business and occupation tax and retail sales tax respectively, they may call the Department of Revenue toll-free at 1-800-647-7706.

References

Revised Code of Washington (RCW) 82.04.070
Revised Code of Washington (RCW) 82.04.080
Washington Administrative Code (WAC) 458-20-107
Washington Administrative Code (WAC) 458-20-195

FREIGHT AND DELIVERY CHARGES 15-1

For specific customers

It is not unusual for automobile dealers to charge specific customers the actual freight and delivery costs for parts or other items ordered from a distributor or manufacturer. The transportation charges that cover the cost of getting the part from the supplier to the dealer are part of the dealer's cost of doing business. Any recoveries of these costs, which are passed on to the customer, are considered to be additional income from the sale of the item and subject to Retailing B&O and retail sales tax when the sale is to a consumer.

Listed separately on sales invoice

Some dealers may list the transportation charges as a separate item on the sales invoice issued to purchasers of new vehicles. This transportation charge is the cost to the dealer of having the vehicle delivered from the factory or distribution point to the dealer's place of business. If these costs are passed along to the customer, they are subject to Retailing B&O and retail sales tax when the sale is to a consumer.

After receipt of goods

Transportation or delivery costs incurred after the customer has taken receipt of the goods are not part of the selling price when the dealer is not liable to pay or has not paid the carrier. It must be clearly shown that the customer alone is responsible to pay the carrier.

Examples

1. ABC Dealer orders a new bumper at the request of a specific customer. ABC charges the customer \$200 for the bumper and \$20 for the transportation costs. The entire \$220 is subject to Retailing B&O and retail sales taxes.

2. ABC Dealer has a fleet sales contract with a major customer which provides that new vehicles will be sold at the dealer's cost plus \$800. Included in the dealer's costs is a freight equalization charge of \$400. This freight charge is subject to the Retailing B&O and retail sales taxes.

References

Revised Code of Washington (RCW) 82.08.010
Washington Administrative Code (WAC) 458-20-110

CITY, COUNTY, STATE GOVERNMENTS

Are sales to city, county or Washington state government exempt from retail sales tax?

The retail sales tax is due on sales of vehicles to the state of Washington, its departments and institutions and to counties, cities, school districts and all other municipal subdivisions of the state.

Are there any exceptions?

Yes. Vehicles loaned to and used for driver education by schools. See DRIVER EDUCATION VEHICLES (Chapter 10) Ride sharing vehicles. See RIDE SHARING VEHICLES (Chapter 39)

Reference

Washington Administrative Code (WAC) 458-20-189

UNITED STATES GOVERNMENT

What constitutes a sale to the federal government?

The sale of a vehicle must be made directly to the United States, its departments, institutions and instrumentalities, or agencies directly operated and controlled by the federal government for the benefit of the general public. See list below.

Sales to institutions which have been chartered or created under federal authority which are not directly operated and controlled by the government for the benefit of the general public, are not considered sales to the federal government.

Sales to representatives or employees for own use

Sales to persons in the Army, Navy or Air Force of the United States, including civilian employees in such service, are not exempt from the retail sales tax. See MILITARY (Chapter 22)

No exemption is permitted for sales to or by voluntary unincorporated organizations of Army or Navy personnel which are not instrumentalities of the United States, national banking associations, persons licensed to engage in private businesses under federal statutes, or contractors engaged in performing contracts for the United States government. Likewise, the retail sales tax applies to sales made to the Washington State Department of Social and Health Services, Employment Security Department and Department of Health, even when those departments are reimbursed with federal funds.

B&O tax

No deductions are allowed from the B&O tax for business transacted with the United States, its departments, institutions or instrumentalities.

Retail sales tax

Direct purchases by the federal government are exempt from the retail sales tax, but purchases by others, whether with federal funds or through a reimbursement arrangement, are fully subject to the retail sales tax. Sales to federal employees or representatives of the federal government are subject to sales tax, even though the federal government may reimburse them for all or a part of such expenses.

**UNITED STATES
GOVERNMENT
DEPARTMENTS,
INSTRUMENTALITIES
AND AGENCIES**

Agriculture
Commerce
Interior (Including Bonneville Power Administration and the Tennessee Valley Authority)
Justice
Labor
Post Office
State
Treasury
National Military Establishment (Army, Navy and Air Force)

**Agencies congressionally
exempt by establishment
or specific statutory
exemption**

Central Banks for Cooperatives (if stock is owned by the United States)
Civil Service Commission
Export-import bank
Farm Credit Administration
Farm credit banks
Farm Loan Association
Federal Deposit Insurance Corporation
Federal Home Loan Banks
Federal Home Loan Mortgage Corporation
Federal Housing Administration (including Housing and Urban Development)
Federal Land Banks
Federal National Mortgage Association

**Agencies congressionally
exempt by establishment or
specific statutory
exemption (cont.)**

Federal Reserve Banks
Federal Savings and Loan Insurance Corporation
Federally Chartered Credit Unions
Government National Mortgage Association
Home Owner's Loan Corporation
Rural Electrification Administration
Social Security Board
United States Maritime Commission
Veteran's Administration

References

Washington Administrative Code (WAC) 458-20-190
Washington Administrative Code (WAC) 458-20-177

FOREIGN GOVERNMENTS AND DIPLOMATS

Foreign diplomats

Ambassadors or foreign consuls are exempt from the retail sales tax, with limitations. Each foreign mission is issued a tax exempt card by the U.S. Department of State. The cards are color coded and state the amount and the type of items which may be purchased tax exempt. See the publication Diplomatic Tax Exemption Program on pages 16-5 and 16-6 for specific limitations.

THESE DIPLOMATIC CARDS MAY BE USED FOR
TOTAL EXEMPTION ON REPAIRS AND PURCHASES
OF VEHICLES, IF THE LIMIT ON THE CARD ALLOWS.

Taiwan Relations Act

Under the authority of the Taiwan Relations Act, the Coordination Council for North American Affairs (CCNAA) and its foreign national employees are not required to pay sales tax. The U.S. Department of State also issues cards to these employees.

THESE CARDS MAY BE USED TO PAY FOR REPAIRS AND PURCHASE VEHICLES.

Sales to these persons are taxable under the Retailing B&O tax classification. The retail sales tax deduction may be shown as "sales to nonresidents or other" explained as "exempt foreign diplomat or Taiwan Act sales".

DIPLOMATIC TAX EXEMPTION PROGRAM

These are samples of the Tax Exemption Cards issued by the Department of State to certain foreign government personnel and offices. The cards are valid nationwide. Cards are used at the point of sale for exemption from state and local sales, restaurant, lodging, and similar taxes normally charged to the customer. Some cards have restrictions on tax free purchases. See explanation below.

TAX EXEMPTION CARD FOR PERSONAL PURCHASES

THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO NATIONWIDE EXEMPTION FROM:

UNITED STATES DEPARTMENT OF STATE Tax Exemption Card	
MISSION OF PANTHANIST-CALLA	
EXPIRATION DATE 12/15/94	ALL SALES TAXES EXCEPT HOTEL ROOM TAXES TAX EXEMPTION NO. 3000-0269-02
DATE OF BIRTH 12/12/55	EYE COLOR BLK
HAIR COLOR BRN	WEIGHT 170
HEIGHT 5 10	SEX M
NAME BOURBON, PHILLIPPE	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

500120
This card may not be transferred.

THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO NATIONWIDE EXEMPTION FROM:

UNITED STATES DEPARTMENT OF STATE Tax Exemption Card	
MISSION OF HIBERNIA	
EXPIRATION DATE 7/31/94	ALL SALES TAXES EXCEPT HOTEL ROOM TAXES TAX EXEMPTION NO. 3000-0236-01
DATE OF BIRTH 12/12/69	EYE COLOR GRN
HAIR COLOR BRN	WEIGHT 165
HEIGHT 5 10	SEX M
NAME MCLOUGHLIN, DANIEL	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

250533
This card may not be transferred.

THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO NATIONWIDE EXEMPTION FROM:

UNITED STATES DEPARTMENT OF STATE Tax Exemption Card	
MISSION OF STUDSBOURG-FLMI	
EXPIRATION DATE 06/15/94	SALES TAXES ON PURCHASES OVER \$200 * TAX EXEMPTION NO. 3000-0277-03
DATE OF BIRTH 03/10/62	EYE COLOR BRN
HAIR COLOR BRN	WEIGHT 140
HEIGHT 5 05	SEX M
NAME VILMORSKI, CLINT	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

900134
This card may not be transferred.

OLD FORMAT TAX EXEMPTION CARD

THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO EXEMPTION FROM:

UNITED STATES DEPARTMENT OF STATE Tax Exemption Card	
MISSION OF RURITANIA	
EXPIRATION DATE 04/15/94	ALL SALES TAXES EXCEPT HOTEL ROOM TAXES TAX EXEMPTION NO. RR-90-0102-01
DATE OF BIRTH 4/12/63	EYE COLOR BLACK
HAIR COLOR AUBURN	WEIGHT 115
HEIGHT 5 03	SEX F
NAME DOE, Susan Sample	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

30275

FOR OFFICIAL PURCHASES ONLY.
THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO EXEMPTION FROM SPECIFIED TAXES ON PURCHASES FOR THE MISSION REPRESENTED

UNITED STATES DEPARTMENT OF STATE Mission Tax Exemption Card	
MISSION OF NICHONIA	
EXPIRATION DATE 08/15/94	ALL SALES TAXES INCLUDING HOTEL ROOM TAXES TAX EXEMPTION NO. 3000-0285-91
DATE OF BIRTH 10/29/57	EYE COLOR BRN
HAIR COLOR BLK	WEIGHT 105
HEIGHT 5 03	SEX P
NAME FRANGELICA, ALDA	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

103768
This card may not be transferred.

FOR OFFICIAL PURCHASES ONLY.
THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO EXEMPTION FROM SPECIFIED TAXES ON PURCHASES FOR THE MISSION REPRESENTED

UNITED STATES DEPARTMENT OF STATE Mission Tax Exemption Card	
MISSION OF REPUBLICO DE SOLITICO	
EXPIRATION DATE 10/31/94	ALL SALES TAXES EXCEPT HOTEL ROOM TAXES TAX EXEMPTION NO. 3000-0244-92
DATE OF BIRTH 01/01/55	EYE COLOR BLK
HAIR COLOR BLK	WEIGHT 170
HEIGHT 5 06	SEX M
NAME VALETEZ, REFINIO	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

123634
This card may not be transferred.

FOR OFFICIAL PURCHASES ONLY.
THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO EXEMPTION FROM SPECIFIED TAXES ON PURCHASES FOR THE MISSION REPRESENTED

UNITED STATES DEPARTMENT OF STATE Mission Tax Exemption Card	
MISSION OF YATPAN	
EXPIRATION DATE 07/15/94	SALES TAXES ON PURCHASES OVER \$50 * TAX EXEMPTION NO. 3000-0451-90
DATE OF BIRTH 01/29/67	EYE COLOR BLK
HAIR COLOR BLK	WEIGHT 115
HEIGHT 5 06	SEX F
NAME TARAFANA, MICHYO	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

700030
This card may not be transferred.

OLD FORMAT MISSION TAX EXEMPTION CARD

FOR OFFICIAL PURCHASES ONLY
THIS CARD ENTITLES BEARER, WHOSE PHOTO APPEARS ON REVERSE, TO EXEMPTION FROM SPECIFIED TAXES ON PURCHASES FOR THE MISSION REPRESENTED

UNITED STATES DEPARTMENT OF STATE Mission Tax Exemption Card	
MISSION OF RURITANIA	
EXPIRATION DATE 09/15/94	ALL SALES TAXES INCLUDING HOTEL ROOM TAXES TAX EXEMPTION NO. RR-90-0103-90
DATE OF BIRTH 09/28/68	EYE COLOR BLACK
HAIR COLOR BLACK	WEIGHT 130
HEIGHT 65	SEX M
NAME DOE, Charles Sample	
SEE REVERSE FOR EXEMPTION INFORMATION	

If Found, Return To:
Office of Foreign Missions
U.S. Dept. of State
Washington, D.C. 20520
Return Postage Guaranteed

038473
This card may not be transferred.

PLEASE NOTE Old Format Cards are valid until expiration date on card.

Vendor may ask for additional ID such as Driver's License. The card is not transferable; only the person whose photograph appears on front side of card may use it. MISSION TAX EXEMPTION CARDS are valid for official purchases only.

For questions regarding the Tax Exemption Program, first contact your State Tax Authority, or write: Office of Foreign Missions (Tax Program) U.S. Department of State, 3507 International Place, N.W., Washington, D.C. 20008-3034.

Under the authority of the Foreign Missions Act, (22 USC 4301 et seq.), TAX EXEMPTION CARDS are issued to certain official personnel from foreign countries who are stationed in the United States while working as diplomats, consular officers, or staff members at foreign embassies and consulates, and other organizations such as the United Nations.

The red-striped and green-striped TAX EXEMPTION Cards restrict the entitlement to sales tax exemption.

This restriction is imposed because certain foreign governments restrict the tax exemption privileges of United States Missions and personnel overseas. Tax exemption is a treaty obligation of the United States under Article VI of the Constitution. The United States is a party to various treaties and agreements which recognize diplomats as official, duly accredited representatives of foreign sovereign countries. Under international law, sovereign countries cannot impose certain taxes on accredited diplomats or other representatives of foreign countries. The treaties referred to above are the Vienna Convention on Diplomatic Relations (VCDR), the Vienna Convention on Consular Relations (VCCR), and the United Nations Headquarters Agreement (UNHQ). Also, the International Organizations Immunities Act, 22 U.S.C. Sec. 288 et seq (1946), mandates tax exemption for representatives to certain international organizations.

What are internal (interdepartmental) charges?

New vehicle dealers typically maintain a system of accounting which measures the profitability of the various departments of the dealership. Different departments of the company may be charged by other departments for various activities.

Vehicle repairs made by own repair shop

It may be necessary to make repairs to new or used vehicles in the process of preparing the vehicles for sale. When these repairs are made by the dealership's own repair shop or the parts come from its own parts department, an internal charge will be made. This charge will be recorded as a sale from the parts or repair department to the new or used car department.

Not subject to B&O or retail sales tax

These internal charges between departments of the same legal entity are not taxable sales and are not subject to B&O tax. The parts are not subject to sales or use tax if the parts are placed on a vehicle which is being repaired or held for sale.

Shop vehicles - use tax due

The use tax **does** apply to parts which are installed on shop vehicles which are for the use of the dealership.

Examples

1. ABC Dealer has a used vehicle in its used car inventory. The vehicle is serviced by the dealer's repair shop with new oil and a new oil filter installed. The used car department is charged for this service by the repair department. These internal charges are not subject to B&O tax. No retail sales or use tax is due.

2. ABC Dealer has its own tow truck. It also has "loaner" vehicles which are loaned at no charge to customers while the customer's vehicle is being repaired. The dealer's repair department installs new spark plugs in these vehicles and charges other departments. No B&O tax applies to these charges. However, the dealer is required to pay use tax on any parts removed from inventory which are placed in these vehicles. Since these vehicles are not being held exclusively for resale, any replacement parts are taxable.

References

Washington Administrative Code (WAC) 458-20-201
Washington Administrative Code (WAC) 458-20-203
Excise Tax Advisory (ETA) 86.04.201.203

INTERSTATE AND/OR FOREIGN COMMERCE CARRIERS

18-1

Exemption requirements

Sales of motor vehicles and trailers used for transporting persons or property for hire in interstate or foreign commerce are exempt from retail sales tax if one of the following requirements is met:

1. The customer is the holder of a carrier permit issued by the Interstate Commerce Commission (ICC) or its successor agency; or
2. The customer operates under contract with the holder of a carrier permit issued by the ICC or its successor agency.

Exemption Certificate

The seller, at the time of sale, must obtain a fully completed exemption certificate. An alternative to the exemption certificate found in WAC 458-20-174 is the "Buyers' Retail Sales Tax Exemption Certificate." Either certificate may be used.

A "Buyers' Retail Sales Tax Exemption Certificate" can be found on pages 18-3 and 18-4 or on the Internet at <http://dor.wa.gov>.

Reporting

Sales to ICC carriers are reported under the Retailing of Interstate Transportation Equipment classification of the B&O tax. This would include:

1. Sales of motor vehicles, trailers, and component parts;
2. Leases of motor vehicles and trailers without operators; and
3. Charges for labor and service rendered in respect to cleaning, repairing, altering or improving vehicles and trailers or component parts thereof.

A deduction may be taken for sales to out-of-state buyers when delivery is made out-of-state. This deduction should be shown on the deduction detail sheet under the Interstate and Foreign Sales category.

INTERSTATE AND/OR FOREIGN COMMERCE CARRIERS

18-2

Repair

Charges made for repairs of ICC carrier vehicles or the installation of parts are specifically exempt from the retail sales tax also. This includes charges for constructing, repairing, cleaning, altering or improving the vehicles. The vehicles must be used for hauling for hire under the ICC permit to be eligible for this exemption.

The "Buyers' Retail Sales Tax Exemption Certificate" or certificate as described in WAC 458-20-174 must be fully completed and must be retained by the seller.

Component parts

The "Buyers' Retail Sales Tax Exemption Certificate" or certificate as described in WAC 458-20-174 must be fully completed and must be retained by the seller.

See PARTS (Chapter 26) for additional information.

References

Washington Administrative Code (WAC) 458-20-174
Revised Code of Washington (RCW) 82.04.250
Revised Code of Washington (RCW) 82.08.0262 -
.0263



State of Washington

BUYERS' RETAIL SALES TAX EXEMPTION CERTIFICATE

Not to be used as a resale certificate

Sellers who in good faith accept properly completed copies of this certificate are relieved of the responsibility to collect sales tax on the types of sales indicated. Certificates must be obtained at the time of the sale. Sellers must retain a copy of this certificate to document the exempt sale.

Vendor/Seller		Date	
Street Address	City	State	Zip Code

I, the undersigned buyer, certify I am making an exempt purchase for the following reason: *(check applicable box(es))*

1. Manufacturing Machinery and Equipment:

☐ Check here if using as a blanket certificate for these purchases.

a. ☐ Used directly in a manufacturing operation.

b. ☐ Used directly in a research and development operation.

2. Nonresident:

Place of Residence _____ Proof of Residence _____

a. ☐ Equipment for use in a farming activity *(Include brand, model and address of use):*

b. ☐ Watercraft *(Include make, model and serial number of vessel)*

☐ Registered or documented with the US Coast Guard or state of principal use and will leave Washington waters within 45 days; or

☐ Buyer is a resident of a foreign country. Purchase is for use outside Washington and will leave Washington waters within 45 days.

Seller's Signature _____

c. ☐ Tangible personal property for use in a noncontiguous state delivered to the usual receiving terminal of the shipper.

Type of Goods Purchased _____

Point of Delivery _____ Carrier/Agent _____

d. ☐ Tangible personal property other than motor vehicles and those mentioned above for use outside Washington by a resident of a state, possession, or province of Canada, with a sales tax of three percent or less.

3. Interstate or Foreign Commerce or Commercial Deep Sea Fishing Business:

- a. ☐ Motor vehicles, trailers and component parts thereof used to transport persons or property *for hire* in interstate or foreign commerce.
- b. ☐ Airplanes, locomotives, railroad cars or watercraft and component parts thereof used in transporting persons or property *for hire*.
- c. ☐ Labor and services rendered in respect to constructing, repairing, cleaning, altering or improving *for hire* carrier property.
- d. ☐ Items for use connected with private or common carriers engaged in air, rail or water in interstate or foreign commerce. (*Note: Items consumed in the state are subject to use tax*)
- e. ☐ Fuel to be consumed outside of Washington by a vessel primarily engaged in foreign commerce.

Vessel Name _____

Type of Fuel _____ Quantity _____

- f. ☐ Watercraft, component parts, labor and services, and/or diesel fuel used in a qualifying commercial deep sea fishing operation.

Registered Vessel Name _____ Vessel Number _____

4. Other:

- a. ☐ Prescription items (*include description*): _____

- b. ☐ Machinery and equipment (*including labor and services to install*) used in generating electricity by wind, solar energy or landfill gas.

- c. ☐ Equipment rental and purchase of services for use in motion picture and video production.

- d. ☐ Objects of art or cultural value purchased by an artistic or cultural organization.

- e. ☐ Tangible personal property or services purchased by Indians or Indian tribes when the goods are delivered within a reservation.

- f. ☐ Purebred livestock for breeding purposes:

Purebred Type _____ Registered Breed Association _____

Animal Name _____

I, the undersigned buyer, understand that by completing and signing this certificate I am certifying that I qualify for the tax-exempt purchase(s) indicated above. I understand that I will be required to pay sales or use tax on purchases that do not qualify for an exemption. In addition, I understand that false or erroneous use of this certificate will result in liability for unpaid tax with interest and may result in additional penalties.

Type of entity: ☐ Individual ☐ Corporation ☐ Sole Proprietor ☐ Partnership ☐ Other (Explain)

Type of Business _____ UBI No. _____

Name of Buyer _____ Title _____

Signature of Buyer _____

Street Address _____

City _____ State _____ Zip _____

Each exemption on this form has special rules (see instructions)

To inquire about the availability of this form in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users may call (800) 451-7985. You may also access tax information on our Internet home page at <http://dor.wa.gov>

Definition	The terms "leasing" and "renting" can be used interchangeably and refer to the act of granting another the right of possession to and use of a vehicle for a specified time and, ordinarily, for fixed payments.
Series of transactions	A lease is not a single transaction or sale, but a contract for a series of transactions. A lease or rental to the consumer is considered a retail sale. Leases or rentals to those who will re-rent or re-lease the vehicle are wholesale sales.
Trade-in	A vehicle owned by the prospective lessee may be used as a trade-in to lower the amount of the retail sales tax due on the lease. See TRADE-INS (Chapter 37).
Rate of retail sales tax	<p>For a vehicle which is leased or rented for a short period of time, such as when their personal vehicle is being repaired, the retail sales tax rate is the rate of the location of the lessor.</p> <p>The retail sales tax rate of a vehicle which is leased longer than for a day or week is the rate in effect where the vehicle is usually kept by the lessee, for all lease payments made. The lessor's business location is used for any down-payment (capital cost reduction) or pay-off payment.</p>
When retail sales tax is due	In either situation, the retail sales tax is due on each payment, when the payment is due.
Brokered lease	A brokered lease consists of: the automobile dealer (broker), a lessee, a financial institution and an automobile (usually in another dealer's lot). The broker pays the Service and Other Activities B&O tax on the commission received for brokering the sale. The dealer who actually provides the vehicle is making an accommodation sale and is not subject to tax. The financial institution is the one who makes the retail sale and is subject to the Retailing B&O tax and must collect the retail sales tax.

Brokered lease - MSO (Manufacturer's Statement of Origin)

In the above brokered lease, if the broker puts the MSO into its own name and then transfers it to the lessee, the broker is making a sale to the lessor (the financial institution), and is subject to the Wholesaling-Other B&O tax. The financial institution will still collect the retail sales tax and pay the Retailing B&O tax.

Lease option - lenders

Dealers may enter into agreements with credit unions or other lenders who have lease and purchase financing options. The structure of the lease option transaction follows:

1. A credit union member (lessee) wants to lease a specific vehicle with option to purchase.
2. The auto dealer (lessor) buys the vehicle from a dealer at a fleet price.
3. The auto dealer computes the balance subject to lease charge which includes the cost of the vehicle, profit, assignment fee, accessories, the first monthly payment, security deposit, titling fee, sales tax, warranty/service contract and any other charges. Credits are allowed to the credit union/lender for titling fee, assignment fee and first monthly payment.
4. The lessee signs a note with the credit union who pays the selling dealer a prepayment of lease payments.
5. At the same time, the lessee enters into a "Security and Vehicle Lease Agreement (Closed End with Fixed Purchase Option)" which provides the lease term and balance subject to lease charge, the estimated end of term wholesale value of the vehicle and the total monthly payment (the same as the amount paid to the credit union/lender.)
6. The selling dealer assigns the lease to the credit union/lender.

Lease option - lenders (cont.)

7. The lessee can terminate the lease prior to the scheduled termination date with 15 days written notice. The lessee is liable for a termination fee plus the unpaid principal balance of the loan less the proceeds of a wholesale sale or the determined residual value, whichever is greater.

8. The lessee has the option to purchase the vehicle at early termination of the lease by payment of a termination fee plus the unpaid principal balance of the loan and taxes.

9. The lessee has the option to purchase the auto at scheduled termination of the lease by payment of the estimated end-of-term wholesale value of the vehicle and taxes.

10. The lessee has no equity in the auto unless he/she exercises the purchase option.

Tax liability of lease option

The first monthly payment, which includes the charge for rental, sales tax and miscellaneous items, is subject to the Retailing B&O tax and the retail sales tax. This payment is received by the dealer from the lender.

The dealer receives prepayment of each monthly payment from the lender. This amount, less the retail sales tax, is subject to the Retailing B&O tax. The retail sales tax has been collected by the lender and is given to the dealer to remit to the Department of Revenue.

The amount received at the scheduled termination of the lease (or earlier) is also subject to the retail sales tax and the Retailing B&O tax.

Exemptions

Since a lease is considered a series of mini sales, the exemptions which apply to retail sales, also apply to leased vehicles. These are:

1. Nonresidents of Washington, including persons from other countries. See NONRESIDENTS (Chapter 25).
2. Nonresident military personnel who are stationed in Washington for less than 90 days. See MILITARY (Chapter 22).
3. Interstate Commerce Carriers with authority to transport across the state's boundaries. See INTERSTATE AND/OR FOREIGN COMMERCE CARRIERS (Chapter 18).
4. Native Americans. See NATIVE AMERICANS (Chapter 24).
5. The United States Government. See GOVERNMENT SALES (Chapter 16).

Nonresident - special definition

A nonresident is a person who resides in another state, has no residence in Washington, and operates no business in Washington. However, for the purposes of this section, a nonresident can also mean a renter or lessee who has one or more businesses in this state, as well as one or more in other states. The nonresident exemption will only apply to those vehicles most frequently operated, garaged, dispatched and maintained in another state.

References

Washington Administrative Code (WAC) 458-20-211
Washington Tax Decision (WTD) 6 WTD 141 (1988)
Washington Tax Decision (WTD) 9 WTD 249 (1990)

What is it?	<p>The "Lemon Law" is a law, which allows customers who purchase a new vehicle which is defective or has chronic problems, to obtain relief.</p>										
What relief is given?	<p>The law allows the consumer to obtain retail sales tax refunds directly from the manufacturer or new car dealer acting on behalf of the manufacturer when the manufacturer or the new car dealer buys back the "lemon." The manufacturer or new car dealer acting on behalf of the manufacturer may then request a refund or credit directly from the Department of Revenue.</p>										
Documentation required	<p>To obtain a refund or credit, the manufacturer or new car dealer acting on behalf of the manufacturer must retain a copy of the arbitration document, a signed statement from the customer showing the tax was refunded, copies of sales invoices showing actual amount of the sale and the tax collected, and copies of the refund checks drawn payable to the consumer and/or lien holder.</p> <p>The signed statement from the manufacturer or new car dealer acting on behalf of the manufacturer should include the customer's name, date, amount of tax refunded, the repurchase amount, mileage use fee calculation, and the name of the dealer or manufacturer making the refund.</p> <p>Form REV 40-0039 must be completed in non-arbitration requests for refund. The form is available on pages 20-4 and 20-5.</p>										
Mileage use fee	<p>A mileage use fee may be charged for the amount of time the customer has used the vehicle. The mileage use fee is not subject to further taxation. This is the part of the purchase price not refunded and has already been taxed.</p>										
How to calculate the retail sales tax refund	<p>When the retail sales tax and licensing fees are included in the "purchase" price, a ratio must be used to remove ancillary fees from the purchase price. The ratio is to be calculated as follows:</p> <table><tr><td>Sales price of Vehicle</td><td>\$30,000</td></tr><tr><td>Less: Trade-in (if applicable)</td><td></td></tr><tr><td>Sales Tax (8.4%)</td><td>2,520</td></tr><tr><td>Licensing Fees</td><td><u>50</u></td></tr><tr><td>Purchase price</td><td>32,570</td></tr></table>	Sales price of Vehicle	\$30,000	Less: Trade-in (if applicable)		Sales Tax (8.4%)	2,520	Licensing Fees	<u>50</u>	Purchase price	32,570
Sales price of Vehicle	\$30,000										
Less: Trade-in (if applicable)											
Sales Tax (8.4%)	2,520										
Licensing Fees	<u>50</u>										
Purchase price	32,570										

How to calculate the retail sales tax refund (cont.)

The ratio is calculated as the sum of $2,520 + 50 / 32,570 = .079$

Calculate the new sales price used to refund sales tax as $\$32,570 - \$2,200$ (Mileage usage fee) $\times .079 = \$2,399.23$. This is the amount to be deducted from the resulting repurchase price of $\$30,370$ (Purchase price minus the mileage usage fee). In this example it would be $\$30,370 - \$2,399.23 = \$27,970.77$. This is the repurchase price and the sales tax to be refunded would be $\$2,349.55$ ($\$27,970.77 \times 8.4\%$).

Credit on tax return

The manufacturer or new car dealer acting on behalf of the manufacturer may take the credit on the Combined Excise Tax Return for the retail sales tax on the repurchase amount, but only after all required documentation has been received by and approved by the Department of Revenue.

Exchange

When a customer opts to exchange the "lemon" for another vehicle of the same or higher quality, the customer is required to pay retail sales tax on ANY CHARGE above the amount allowed for repurchase. The Retailing B&O tax is also due only on the additional charge.

In many cases, the dealer will allow the customer to exchange the "lemon" for a higher quality vehicle for no additional charge. Because there is no additional charge, the dealer is not required to pay Retailing B&O tax or charge the customer retail sales tax on this additional value.

Extra options

The charges for additional options on a replacement vehicle are subject to the retail sales tax and the Retailing B&O tax.

Trade-in - not Lemon Law

When the "lemon" is used as a trade-in on another vehicle without going through the "Lemon Law" process, the "lemon" value may be deducted from the price of the new vehicle and retail sales tax is due on the balance, if there is any. The dealer owes Retailing B&O tax on the total selling price on this type of transaction.

Dealer voluntary buy-back - not Lemon Law

When a customer purchases a vehicle and later determines the vehicle is unsatisfactory, for whatever reason, and the dealer voluntarily buys the car back, without "Lemon Law" arbitration, the customer is not entitled to a return of the retail sales tax.

The dealer has purchased the vehicle, not refunded the customer's money.

Authority

The Attorney General's Office has the authority to contract with private entities to conduct the arbitration hearings. The Attorney General should be contacted for more information about the "Lemon Law" for areas other than the retail sales tax.

References

Revised Code of Washington (RCW) 19.118.005-.904
Washington Administrative Code (WAC) 458-20-108



LEMON LAW
New Vehicle/Motor Home Repurchase Information

Name _____

Registration Number _____

Address _____

Date _____

Vehicle Information

- | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1. Original retail delivery date of motor vehicle identified by VIN _____ occurred on ____-____-____ (month/day/year). | <u>Yes</u> | <u>No</u> |
| The motor vehicle was originally purchased at retail from a new motor vehicle dealer or leasing company in the state of Washington and was initially registered in the state of Washington or issued a temporary license pursuant to RCW 46.16.460 (non-resident military permit exception). | <input type="checkbox"/> | <input type="checkbox"/> |
| The motor vehicle was purchased or leased by a business as part of a fleet of ten or more vehicles at one time or under a single purchase or lease agreement, RCW 19.118.021(9). | <input type="checkbox"/> | <input type="checkbox"/> |

Defect Information

- | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 2. The consumer presented the following condition or defect, which is described as follows: | <u>Yes</u> | <u>No</u> |
| a) The condition or defect described above is a life threatening malfunction or nonconformity that impedes the consumer's ability to control or operate the vehicle for ordinary use or reasonable intended purposes or creates a risk of fire or explosion. [See RCW 19.118.021(16)] | <input type="checkbox"/> | <input type="checkbox"/> |
| b) The defect or condition described above renders the vehicle unreliable or unsafe for ordinary use, or diminish the resale value below the average resale value for comparable vehicles. [See RCW 19.118.021(18)] | <input type="checkbox"/> | <input type="checkbox"/> |
| c) The condition or defect described above has been subject to diagnosis or repair _____ times, At least one of which was during the period of the applicable manufacturer's warranty. | <input type="checkbox"/> | <input type="checkbox"/> |
| d) The vehicle has been out of service by reason of repair or diagnosis of the condition or defect described above for days of which _____ days were during the period of the applicable manufacturer's written warranty. | <input type="checkbox"/> | <input type="checkbox"/> |

Additional Information

- | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 3. The vehicle has an existing "serious safety defect" which is not the result of abuse, neglect, or unauthorized modifications or alterations. [See RCW 19.118.021(16)] | <u>Yes</u> | <u>No</u> |
| If yes, identify _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. The vehicle has an existing "Nonconformity" which is a defect, condition, or above listed "serious safety defect" which substantially impairs the use, value, or safety of the vehicle, which is not the result of abuse, neglect, or unauthorized modification or alteration of the vehicle. [See RCW 19.118.021(11),(18)] | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, identify _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. The vehicle has been out-of-service by reason of diagnosis or repair of one or more nonconformity's for a cumulative total of _____ calendar days, of which at least _____ days were during the period of the applicable manufacturer's written warranty period. [See RCW 19.118.021(2)(C)] If yes, identify nonconformity's: _____ | <input type="checkbox"/> | <input type="checkbox"/> |

MANUFACTURER RETAIL SALES TAX REFUND REQUEST

In 1987, the Washington Legislature enacted a "Lemon Law" creating enforcement provisions for new motor vehicle warranties. A manufacturer repurchasing a new motor vehicle under warranty because of a defective condition shall refund to the consumer the purchase price, all collateral charges (includes retail sales tax) and incidental costs, less a reasonable offset for use. The manufacturer shall make the refund to the consumer and/or lien holder.

The Department of Revenue upon receipt of required documentation (evidence) will then credit or refund the amount of retail sales tax remitted to the consumer. *(Subject to future field verification within the statute of limitations.)*

Attached for your information are Motor Vehicle Warranties Revised Code of Washington (RCW) Chapter 19.118 and Washington Administrative Code (WAC) 458-20-108(4). *(Refer to RCW 19.118.061(1), (2), (3), (4), & (5) for manufacturer guidelines with respect to notification of correction, vehicle resale or transfer of title, issuance of new title, disclosure to buyer, and intervening transferor.*

To receive a credit or refund, the manufacturer must provide the following information indicating that the dealer collected the retail sales tax and that the manufacturer refunded it to the consumer:

1. A copy of decision rendered by the New Motor Vehicle Arbitration Board; **(or)**
2. If the manufacturer/consumer repurchase agreement is non-arbitrated, the Manufacturer must provide a completed copy of attached addendum; **and**
3. A statement signed and dated by the consumer accepting the arbitration board decision or the manufacturer's non-arbitrated repurchase offer. The statement must include the consumer's name, repurchase offer date, total repurchase amount, sales tax amount refunded, and name of manufacturer issuing refund; **and**
4. A copy of dealer invoice (purchase order) signed by the consumer which shows the amount of retail sales tax paid; **and**
5. A copy of manufacturer's refund check(s) for repurchase drawn payable to the consumer and/or lien holder; **and**
6. If applicable, provide calculation of reasonable offset for mileage use by multiplying number of miles the vehicle traveled directly attributable to use by consumer times the purchase price, and dividing by one hundred twenty thousand, except in case of a motor home, in which event it shall be divided by ninety thousand.

$$\frac{\text{Miles Traveled multiplied by Purchase Price}}{120,000} = \text{Vehicle Usage \$ Amount}$$

$$\frac{\text{Miles Traveled multiplied by Purchase Price}}{90,000} = \text{Motorhome Usage \$ Amount}$$

The reasonable offset for mileage use may be charged for the amount of time that the consumer has used the vehicle or motor home. The mileage use \$ amount is not subject to further taxation. *This is part of purchase price not refunded and has already been taxed.*

MAINTENANCE AGREEMENTS (CONTRACTS)

21-1

Definition

A maintenance agreement (contract), sometimes called a service agreement (contract), is an agreement which requires specific performance of repairing, cleaning, altering or improving tangible personal property on a regular or irregular basis to ensure the product's continued satisfactory operation.

Retail sales tax

Charges for maintenance agreements are retail sales subject to the Retailing B&O tax and retail sales tax.

Warranties with maintenance provisions

When an agreement contains warranty provisions, but also requires the periodic performances of a maintenance agreement, it is taxed as a maintenance agreement.

Commissions for selling third party maintenance agreements

Amounts received as commission or consideration for selling a maintenance agreement for a third party are subject to B&O tax under the Service and Other Activities B&O tax classification.

Subcontractors to maintenance seller

Subcontractors who perform work under a maintenance agreement for the seller of such agreement, are making sales at wholesale. Such subcontractor must obtain a properly completed resale certificate.

Performance under maintenance agreement

Persons who sell maintenance agreements and perform the work as defined in the agreement are not subject to the retail sales or use tax on materials or labor which are a part of the required service or repair.

Deductibles

The amount the customer is required to pay, which is not covered by the maintenance agreement, is subject to the Retailing B&O tax and retail sales tax must be collected.

MAINTENANCE AGREEMENTS (CONTRACTS)

21-2

Example	<p>A customer purchases a new vehicle for \$15,000. A maintenance agreement for \$100 is purchased which covers routine service, checkups and oil changes. The customer brings the car back to the dealer for a 3,000 mile check and to have the oil changed. The dealer cost for the oil change and labor to check the vehicle is \$60.</p> <p>The dealer is liable for:</p> <p>Retailing B&O tax and collection of the retail sales tax on the price of the vehicle and the maintenance agreement totaling \$15,100.</p> <p>No other B&O tax, use tax or retail sales tax is due.</p>
Extended warranties and manufacturer's warranty	<p>See WARRANTIES (Chapter 40).</p>
Reference	<p>Washington Administrative Code (WAC) 458-20-257</p>

Nonresident military exemption requirements

Members of the armed forces who purchase vehicles in Washington are required to pay retail sales tax if they intend to remain here more than three months. This is true even if they claim a home of record in a state other than Washington and even if they register the vehicle under the laws of their home state.

Effective January 1, 1990, sales of vehicles or trailers to NONRESIDENT members of the armed forces are exempt from retail sales tax only if all of the following requirements are met:

1. The license plates from the customer's home state are attached at the time of sale or a 45-day permit is used to move the vehicle from the premises;
2. The vehicle or trailer is not used in Washington more than three months; and
3. The vehicle or trailer is not required to be registered and licensed in Washington.

Documentation needed for military sales

The affidavits for trip permits or nonresident license plates can be used. See page 12-4. In addition, the dealer must obtain and retain:

1. A copy of military orders showing that the customer is temporarily stationed in Washington; or
2. A copy of military orders showing that the customer is permanently reassigned to a new duty station outside Washington and will leave within three months of the date of purchase.

Resident military personnel

Resident military personnel do not receive an exemption when purchasing a vehicle in Washington. They are treated in the same manner as nonmilitary residents.

References

Washington Administrative Code (WAC) 458-20-177
Excise Tax Advisory (ETA) 361.08.12.177

DUAL RESIDENTS

In state delivery

Many persons claim residency in both Washington and another state by virtue of spending near equal amounts of time in each state. When such a person buys and takes possession of a vehicle in the state of Washington, the retail sales tax and B&O tax are due.

Out of state delivery

If the dual resident purchases the vehicle in Washington and has the seller (dealer) deliver the vehicle to him/her outside the state of Washington, no retail sales tax is charged at the time of sale and no B&O tax is due. The sale and delivery outside the state must be documented as described in WAC 458-20-193.

See NONRESIDENT (Chapter 25).

The shipping charges may be added to the selling price.

Washington license plates must not be ordered or placed on the vehicle by the Washington dealer. If Washington plates are on the vehicle, the dealer must remove them. The dealer must also document such removal. This documentation may simply be a filed photocopy of the plates after they have been removed.

The buyer cannot take possession and use the vehicle in Washington before shipment outside the state.

If the customer brings the vehicle into Washington, use tax and licensing fees will be due and the customer may be required to dual license the vehicle.

References

Revised Code of Washington (RCW) 82.08.0269
Washington Administrative Code (WAC) 458-20-193

**WASHINGTON
RESIDENTS TAKING
DELIVERY OUTSIDE
OF WASHINGTON**

Washington residents who purchase a vehicle from a Washington dealer and have that vehicle delivered to them at a point outside of Washington are also exempt from the retail sales tax when the dealer ships the vehicle to the customer outside the state. The dealer must be listed as the consignor on the bill of lading.

No B&O or retail sales tax is due on this transaction.

Washington license plates must not be ordered or placed on the vehicle by the dealer. If Washington plates are on the vehicle, they must be removed. The dealer must document such removal.

The buyer cannot take possession or use the vehicle in Washington before shipment outside the state.

If the customer brings the vehicle into Washington, use tax and licensing fees will be due and the customer may be required to dual license the vehicle.

References

Revised Code of Washington (RCW) 82.08.0269
Washington Administrative Code (WAC) 458-20-193

**INSURANCE -
LIFE/HEALTH**

Many dealers will offer the buyer the opportunity to purchase insurance to cover payments of the vehicle in the event of illness or loss of employment or to pay off the vehicle in the case of death.

When the dealer is acting as an agent for the insurance company providing the insurance, the dealer must pay the Service and Other B&O tax on the commission earned for sales of the insurance.

If the dealer is licensed under chapter 48.17 RCW as an insurance agent, broker or solicitor, the amount received for these sales is subject to the Insurance Agent B&O tax classification.

References

Washington Administrative Code (WAC) 458-20-164
Washington Administrative Code (WAC) 458-20-257

DUTY ON IMPORTED CARS

On occasion, a dealer will order a vehicle directly from the factory in Europe or Asia for a customer. Delivery is to be made directly to the customer. The import duty added to the price of the vehicle is part of the selling price and is subject to the retail sales tax and the Retailing B&O tax.

Reference

Washington Administrative Code (WAC) 458-20-107

EXPORTS TO CANADA

Dealers in Washington in close proximity to the Canadian border may be requested to deliver the vehicle to the customer in Canada. The delivery must be made on the Canadian side of the border. The vehicle may not be turned over to the customer or his/her agent on the American side, even when there is a certainty of actual crossing.

For the transaction to be exempt from the B&O and retail sales taxes, the shipping documents must show that the vehicle was, in fact, delivered on the Canadian side of the border.

Reference

Washington Administrative Code (WAC) 458-20-193

INTEREST/CARRYING CHARGES/PENALTIES/ FINANCE INCOME

Interest and finance income received by dealerships for carrying contracts on sales of vehicles is subject to the Service and Other Activities B&O tax.

When interest is added to delinquent repair or parts invoices, the interest, penalty, or late fee is subject to the Service B&O tax.

The Service B&O tax does not generally apply to interest received from savings accounts, money market accounts, or other "incidental" investing. Interest is considered incidental when it represents 5% or less of the annual gross receipts.

Reference

Washington Administrative Code (WAC) 458-20-109
Excise Tax Advisory (ETA) 571.04.169

**SALES OF SCRAP AND
OBSOLETE PARTS**

Sales of scrap metal, obsolete parts and junked vehicles to wrecking yards, hulk haulers, metal dealers or anyone else who will use the metal or parts for resale are sales at wholesale and subject to the Wholesaling-Other B&O tax. A resale certificate must be received from the buyer.

BAD DEBTS

Amounts of credit losses actually sustained by dealerships whose records are kept on an accrual basis may be deducted from the gross amount of business, if the tax has already been paid. The deductions should be taken during the period when the bad debts were actually written off the dealer's books of account. These bad debts must also be written off for income tax purposes.

A bad debt deduction may be taken under the B&O tax and the retail sales tax.

For write-offs of the retail sales tax during a period when the retail sales tax rate was different than the current retail sales tax rate, a Schedule B, Credit for Sales Taxes Paid on Bad Debts, must be used. See copy on page 23-5. If the tax rate is the same, the deduction may be taken on the Combined Excise Tax Return.

Refund claims are allowed when a bank, as assignee, "steps into the dealers' shoes and assumes the dealers' status with respect to all the rights and liabilities related to those contracts." Thus, banks and other persons purchasing installment contracts are entitled to a bad debt credit when the retail seller paid the full amount of sales tax owed, and the assignee incurred a bad debt because the buyer defaulted. An assignee may claim a bad debt credit whether the contract was purchased on a recourse or nonrecourse basis, provided that assignee actually incurs the loss and is entitled to the federal income tax bad debt deduction.

Also see REPOSSESSIONS (Chapter 32).



State of Washington
Department of Revenue
Taxpayer Account Administration
PO Box 47476
Olympia WA 98504-7476

Block 1

Attached To

Tax Return

SCHEDULE B

ATTACH TO COMBINED EXCISE TAX RETURN

Block 2

NAME _____ REG. _____

FIRM NAME _____

STREET ADDRESS _____

CITY, STATE. _____

CREDIT FOR SALES TAXES PAID ON BAD DEBTS

INSTRUCTIONS

1. Who Must File Schedule B

Schedule B should be used only when the rate of sales tax at the time of sale is different from the current rate on the tax return. When the rates are still the same, a bad debt may be taken directly off the tax return as a regular deduction would be. **NOTE: DO NOT** report the same bad debt as a retail sales tax deduction **AND** also as a credit listed on the Schedule B.

2. Bad Debts

- To qualify as an allowable credit, the sale may have been made at any time and the state and local sales taxes remitted to the Department during any prior reporting period.
- If a debt has been collected in part, the uncollected amount, to the extent charged off the books, may be deducted.
- Credit may only be claimed for sales taxes paid on identified transactions. Amounts established on the books as a reserve for bad debts (reserve method of accounting) do not qualify. Credit may be claimed only once for each bad debt. All credit claimed is subject to audit.
- No refund or credit may be made for taxes, penalties, or interest paid more than four years prior to the beginning of the calendar year in which a refund or credit application is made or examination of records by the Department is completed.

Where a taxpayer has executed a written waiver of the limitations governing assessment under RCW 82.32.050 or 82.32.100, a refund or credit may be granted for taxes, penalties, or interest paid during, or attributable to, the years covered by such waiver if, prior to expiration of the waiver period, an application for a refund or credit of such taxes, penalties, or interest is made by the taxpayer or the Department discovers a refund or credit is due.

3. To Complete This Form

- Block 1:* Enter the reporting period you are attaching this schedule to.
- Block 2:* Enter the name and address of the business. **IMPORTANT: YOU MUST WRITE IN YOUR WASHINGTON STATE DEPARTMENT OF REVENUE REGISTRATION NUMBER.**
- Sales transactions should be grouped by date of sale and further sorted by location of sale (reference location code list published by the Department of Revenue).
- Column 1:* Enter date of sale(s) as numeric month/year (e.g. 11/96).
- Column 2:* Enter the location code of sale. If sales were made during this month in multiple locations, use a different line for each location code.
- Column 3:* Enter the value of sales (excluding taxes and additional charges) claimed for bad debts for each location code.
- Column 6:* Enter the total amount of state and local sales taxes paid to the state for each location code.
- Columns 4 & 5:* For each tax entry in column 6, break the tax amount into the state & local (include any King County Food & Beverage and RTA) sales tax portions.
- If you need more space, use the back of this sheet. You may photo copy the form for more sheets. Write your registration number on each page.
- Total all column 6 entries. Enter this amount in the "Total" block on this form and on the "BAD DEBT TAX CREDIT" line on the Combined Excise Tax Return. Verify that the numbers are the same.
- Attach Schedule B behind the Combined Excise Tax Return.

Column 1 Date Of Sale (MM/YY)	Column 2 4 Digit Location Code	Column 3 Value Of Sale Written Off

Column 4 State Sales Tax Claimed	Column 5 Local Sales Tax Claimed	Column 6 Total State And Local Taxes Claimed	For Department Use Only	For Department Use Only
SUB-TOTAL				

Signature _____

Phone _____

REV 40 0011-1 (4-1-99)

COMBINED TOTAL

All sales taxes claimed:

Post to BAD DEBT CREDIT line on
Combined Excise Tax Return

Exempt sale

Vehicles sold to federally recognized Native American tribes and enrolled members thereof, which are delivered to a point within the Native American reservation, are not subject to retail sales tax. The Native American does not have to reside on the reservation for the exemption to apply. However, the buyer must be a member of the tribe on whose reservation delivery is made.

Requirements

If a vehicle is delivered to the reservation and the buyer is an enrolled member of the tribe, the sale is exempt from retail sales tax if the following information is provided:

1. Seller's name and address,
2. Buyer's name and address,
3. Tribe of enrollment,
4. Enrollment number,
5. Date of sale,
6. Year, make and model of vehicle
7. Vehicle identification number, and
8. The reservation to which or within which delivery is made (certified by dealer).

The Washington State Retail/Use Tax Exemption Certificate for Enrolled Tribal Member form on page 24-4 must be completed and kept in the seller's records.

Who qualifies as "Native American"?

For purposes of the exemption, a Native American is defined as a person duly registered on the tribal rolls of the tribe occupying a Native American reservation and a person duly registered on the tribal rolls of the reservation upon and within whose reservation such transaction or activity takes place.

A partnership consisting of Native American partners is considered "Native American".

A partnership consisting of Native American and non-Native American partners is considered non-Native American.

A corporation owned by Native Americans and consisting of Native American officers or directors is considered "Native American".

A marital community consisting of a Native American and non-Native American member is considered "Native American" if all other qualifications are met.

Business and occupation tax

Currently, the B&O tax applies to sales to Native Americans who take delivery in Washington. However, there may be changes to this B&O tax treatment. Please be aware of future changes to WAC 458-20-192.

Requirements

The buyer must complete the Department of Licensing form Affidavit for Vehicle/Vessel Excise Tax Exemption for Enrolled Tribal Member Living on Reservation each year the vehicle is licensed.

Recognized Native American tribes in Washington

Chehalis Confederated Tribes
Confederated Tribes of the Colville Reservation
Hoh
Jamestown S'Klallam
Kalispel
Lower Elwha Klallam
Lummi Nation
Makah
Muckleshoot
Nisqually
Nooksack
Port Gamble S'Klallam
Puyallup Tribe
Quileute
Quinault
Samish Nation
Sauk-Suaittle
Shoalwater Bay
Skokomish
Snoqualmie
Spokane
Squaxin Island
Stillaguamish
Suquamish
Swinomish
The Tulalip Tribes
Upper Skagit
Yakima

References

Washington Administrative Code (WAC) 458-20-192
The Handbook on Federal Indian Law (1982)
Makah Indian Tribe vs. Clallam County, 73 Wn. 2d 677, 440 p. 2d 442 (1968)
Wofford vs. Department of Revenue, 28 Wn. App. 68 (1980)



State of Washington
Department of Revenue
PO Box 47450
Olympia WA 98504-7450

**WASHINGTON STATE
RETAIL SALES/USE TAX EXEMPTION CERTIFICATE
FOR ENROLLED TRIBAL MEMBER**

When a vehicle sale is made to an enrolled tribal member and delivery is made on that enrolled tribal member's reservation, the sale is exempt from state retail sales or use tax. To receive this exemption, this form must be completed. An original signed copy must be submitted to the Department of Licensing with title application. Copies of this form should be maintained by the seller and buyer.

Seller's Name _____

Address of Seller _____

Buyer's Name _____

Address of Buyer _____

Tribe of Enrollment _____ Enrollment No. _____

Year, Make and Model of Vehicle _____

Vehicle Identification _____ Date of Sale _____

Certification By Seller

I hereby certify that I personally examined the following documentary evidence submitted by the buyer above as proof of enrollment in the _____ Tribe.

Check documentation presented:

☐ Tribal membership card

☐ Official letter signed by tribal official

Additionally, I certify that the vehicle described above was delivered to the buyer on the Reservation of the _____ Tribe, of which the buyer documented tribal membership. This certificate is given with full knowledge of, and subject to, the legally prescribed penalties for fraud and tax evasion.

Signature of seller or agent of seller _____

Date _____

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users please call (800) 451-7985. You may also access tax information on our Internet home page at <http://dor.wa.gov>.

Definition

A nonresident is an individual who enters Washington on a transitory basis and does not show an intent to reside in Washington on a full- or part-time basis.

The term "nonresident" does not include:

1. Persons who maintain residences in more than one state, if one of the states is Washington; or
2. Persons who live in Washington and intend to reside in another state, but who have not established residency in that state.

Three-month limitation

Nonresidents (including students) who are temporarily residing in Washington must pay retail sales tax when purchasing a vehicle, if they intend to use the vehicle in Washington for more than three (3) months.

Sales of motor vehicles to qualified nonresidents

Sales tax does not apply to sales of motor vehicles, trailers, or campers to qualified nonresidents for use outside of this state, even though delivery is made within this state, under the following conditions:

1. the vehicles will be taken from the point of delivery in this state directly to a point outside this state under the authority of a one-transit permit; or
2. the vehicles will be registered and licensed immediately (at the time of delivery) under the laws of the state of the purchaser's residence, will not be used in this state more than 3 months, and will not be required to be registered and licensed under the laws of this state.

The dealer must establish that:

1. the purchaser is a nonresident of Washington;
2. the vehicle is for use outside this state; and

Sales of motor vehicles to qualified nonresidents (cont.)

3. the vehicle is to be driven from his premises under the authority of a trip permit or valid license plates issued by the state of the purchaser's residence with such plates affixed to the vehicle at the time of final delivery.

A buyer's affidavit and a dealer's certificate must be obtained by the seller at the time of sale. The seller must retain these records to document the exempt nature of the transaction. WAC 458-20-177 shows examples of the affidavit and certificate; also see page 12-4.

Failure to take the affidavit or complete the dealer certification, in full, at the time of delivery will negate the exemption.

Also see EXEMPT VEHICLE SALES (Chapter 12)

Sales of motor vehicles to qualified nonresident corporations

Sales tax does not apply to sales of motor vehicles, trailer, or campers to nonresident corporations for use outside of this state. The sale must meet the same requirements as those stated above for qualified nonresidents. However, in this case, a distinction must be made between the corporation and its employees or officers. Therefore, in addition to the above requirements, the dealer must establish that the corporation is the purchaser (i.e. paid for by corporate check and registered in the corporation's name). The exemption is not negated, for example, when an officer or employee, purchasing on behalf of the corporation, is a Washington resident when all the other requirements are met.

Sales of other property (other than vehicles) to nonresidents

Persons visiting Washington from other states, United States possessions and provinces of Canada, which do not impose a three percent or more retail sales tax, are eligible for an exemption from the retail sales tax on certain items. As of July 1, 2000, these jurisdictions are:

Alaska	Delaware	Guam
Puerto Rico	Oregon	New Hampshire
Yukon	Montana	Virgin Islands
Alberta	American Samoa	
Commonwealth of North Mariana Islands		

Exemption from retail sales tax is only permitted when:

- 1) Tangible personal property is sold;
- 2) For use outside Washington; and
- 3) To persons who can satisfactorily establish qualified nonresident status.

Repair parts and labor

Parts used for repair of a qualified nonresident's vehicle are NOT subject to the retail sales tax under this exemption, however, the labor charges ARE.

Sales to these persons are subject to tax under the Retailing B&O tax classification. The retail sales tax deduction is shown as "Qualified Nonresident Sales".

ID required

The dealer must see one piece of identification with a picture on it which proves the customer is from one of these qualifying locations. A record showing the type of proof accepted, including any identification numbers and the expiration date, must be kept in the dealer's files. A copy of the picture ID satisfies this requirement.

One piece of ID is not sufficient to purchase a vehicle - other requirements must be met. See page 12-1 and EXEMPT VEHICLE SALES (Chapter 12)

Sales of other property (other than vehicles) to nonresident corporations

Nonresident corporations may also qualify to make tax-exempt purchases by obtaining a "Corporate Nonresident Permit" from the Department of Revenue. Dealers who sell to nonresident corporations should examine the nonresident permit to make certain that it is valid during the period of the sale and that it is issued to the purchaser. The dealer must record the permit number in its records. Nonresident corporations, which qualify to obtain a permit, are those incorporated in one of the states, possessions, or provinces of Canada shown on page 25-3.

Vehicles may not be purchased using this corporate nonresident permit alone. The other requirements must be met. See EXEMPT VEHICLE SALES (Chapter 12)

Foreign diplomats

See GOVERNMENT SALES - FOREIGN AND DIPLOMATS (Chapter 16)

Taiwan Relations Act

See GOVERNMENT SALES - FOREIGN AND DIPLOMATS (Chapter 16)

Delivery to noncontiguous states

Persons who are residents of noncontiguous states, territories or possessions of the United States (i.e. Alaska, Hawaii) may purchase parts and vehicles exempt from the retail sales tax under certain conditions. The dealer must:

1. Deliver the property to the purchaser or its designated agent at the usual receiving terminal of the for-hire carrier selected to transport the goods, under such circumstance that it is reasonably certain that the goods will be transported directly to the specified destination.

Delivery to noncontiguous states (cont.)

2. Receive a certification from the purchaser that the goods or vehicles will not be used in the state of Washington and are intended for use in the specified noncontiguous state, territory or possession.

3. Receive written instructions signed by the purchaser directing delivery of the goods or vehicle to a dock, depot, warehouse, airport or other receiving terminal for transportation of the goods to their place of ultimate use.

Where the purchaser is also the carrier, delivery may be to a warehouse receiving terminal or other facility maintained by the purchaser when the circumstances are such that it is reasonably certain that the goods will be transported directly to their place of ultimate use.

4. Receive a dock receipt, memorandum bill of lading, trip sheet, cargo manifest or other document evidencing actual delivery to such dock, depot, warehouse, freight consolidator or forwarder, or receiving terminal.

A blanket exemption certificate similar to the one on the next page may be used to meet part of the above requirements. Please note that the Retailing B&O tax is due on these transactions.

EXEMPTION CERTIFICATE

We hereby certify that the vehicle(s) which we have purchased and which we will purchase from you will not be used in the state of Washington but is (are) for use in the state, territory or possession of:

You are hereby directed to deliver such vehicle(s) to the following dock, depot, warehouse, freight consolidator, freight forwarder, transportation agency or other receiving terminal, namely:

for the transportation of the (those) vehicle(s) to the place of ultimate use.

This certificate shall be considered a part of each order that we have given you and which we may hereafter give to you, unless otherwise specified, and shall be valid until revoked by us in writing.

Dated _____

By _____ (Purchaser)

By _____ (Officer or Purchaser's
Representative)

(Address)

Vehicles shipped to customers outside of Washington

Proof

When nonresidents purchase a vehicle in Washington, they may have it shipped to them outside of Washington. When the vehicle is so shipped, no B&O or retail sales tax is due.

The dealer must have documentary proof that the vehicle was delivered outside the state. The dealer must keep the following information in its records:

1. The contract or agreement of sale, if any, **and**
2. If shipped by a for-hire carrier,
 - A. A waybill,
 - B. Bill of lading or
 - C. Other contract of carriage indicating the seller has delivered the goods to the for-hire carrier for transport to the purchaser or the purchaser's agent at a point outside the state. The seller must be shown on the contract of carriage as the consignor (or other designation of the person sending the goods) and the purchaser or its agent as consignee (or other designation of the person to whom the goods are being sent); or
3. If sent by the seller's own transportation equipment:
 - A. A trip-sheet signed by the person making delivery for the seller and showing:
 - 1). The seller's name and address,
 - 2). The purchaser's name and address,
 - 3). The place of delivery,
 - 4). The time of delivery to the purchaser,
 - 5). The signature of the purchaser or its agent acknowledging receipt of the goods at the place designated outside the state of Washington.

Not receipt of goods by purchaser

Delivery of the goods to a freight consolidator, freight forwarder or for-hire carrier merely used to arrange for and/or transport the goods is not considered receipt of the goods by the purchaser or its agent UNLESS the consolidator, forwarder or for-hire carrier has express WRITTEN authority to accept or reject the goods for the purchaser with the right of inspection.

When the consolidator, forwarder or for-hire carrier has express written authority to accept or reject the goods, delivery is treated as occurring upon delivery to the consolidator.

References

Washington Administrative Code (WAC) 458-20-193
Excise Tax Advisory (ETA) 316.08.193

Consumers	Parts sold to consumers are subject to tax under the Retailing classification of B&O tax and retail sales tax must be collected. This includes parts sold in connection with repairs or parts sold to the consumer without installation.
Wholesale	Parts sold to anyone who will resell the part or use it to repair a vehicle for resale are subject to the B&O tax under the Wholesaling-Other classification. No retail sales tax is collected, however, the seller must receive a resale certificate from the buyer.
Parts shipped out of state	Sales of parts shipped out of state by the seller can be deducted under interstate and foreign sales. This deduction is available for both the Retailing and Wholesaling-Other B&O tax along with the retail sales tax. See section under NONRESIDENTS for VEHICLES SHIPPED TO CUSTOMERS OUTSIDE OF WASHINGTON and DELIVERY TO NON-CONTIGUOUS STATES for documentary guidelines (Chapter 25)
Sales to Native Americans	<p>Parts sold to Native Americans are not subject to retail sales tax if the seller makes delivery of the part to a point on the reservation.</p> <p>Currently, the B&O tax applies to sales to Native Americans who take delivery in Washington. However, there may be changes to this B&O tax treatment. Please be aware of future changes to WAC 458-20-192.</p> <p>See NATIVE AMERICANS (Chapter 24)</p>

ICC carriers	<p>Sales of component parts to carriers authorized to cross state boundaries by the Interstate Commerce Commission or its successor agency are not subject to the Retailing B&O tax, nor the retail sales tax. Sales of these parts are subject to the special B&O tax classification of Retailing of Interstate Transportation Equipment. Spare parts are also exempt.</p> <p>See INTERSTATE AND/OR FOREIGN COMMERCE CARRIERS (Chapter 18)</p>
Component part	<p>A component part is a part that is attached to and becomes an integral part of the motor vehicle or trailer. Such items as motors, body parts, batteries and tires are considered component parts. Less easily determined as component parts are such parts that are required by law (i.e. fire extinguishers or those that are wired into the vehicle, such as citizen band radios, scanners and telephones). Tarpaulins specifically made for a certain trailer, even though they may be used on another, are also considered component parts.</p>
Questions	<p>Component parts are not specifically defined in the rules or the laws. Questions about whether an item is a component part should be referred to the Department of Revenue.</p>
Insurance coverage	<p>See WARRANTIES (Chapter 40)</p>
References	<p>Revised Code of Washington (RCW) 82.08.262 Washington Administrative Code (WAC) 458-20-174 Washington Administrative Code (WAC) 458-20-192 Washington Administrative Code (WAC) 458-20-193</p>

PERSONAL LIABILITY FOR RETAIL SALES TAX COLLECTED BY CORPORATIONS

27-1

State law designates collected retail sales tax as funds held in trust for the state. Any person who controls trust funds for a corporation and willfully fails to turn those funds over to the state can be held personally liable.

Who is liable?

Any number of people in a corporation may be held liable. This includes any person responsible for unpaid collected retail sales tax, the person authorizing payment of other liabilities before payment of the taxes or any corporate officer or director who willfully pays or directs others to pay other obligations before remitting the retail sales tax.

What establishes the liability?

To establish personal liability, the following requirements must be met:

1. The liability to pay the tax must be the corporation's.
2. The corporation must be terminated, be abandoned or dissolved.
3. The person willfully failed to pay or directed someone else to not pay the collected retail sales tax.
4. The person either:
 - A. Had control or supervision over collected retail sales tax, or
 - B. Was responsible for reporting or remitting the retail sales tax.
5. No reasonable means of collection from the corporation is available.

PERSONAL LIABILITY FOR RETAIL SALES TAX COLLECTED BY CORPORATIONS

27-2

What taxes?	<p>Persons can only be held liable for the retail sales tax collected when they had direct control over the funds.</p> <p>This does not relieve the corporation of the liability or otherwise prevent the department from collecting as outlined in the law.</p>
Can this liability be appealed?	<p>Yes. Persons who are assessed individual liability may appeal the assessment by following the guidelines printed in Washington Administrative Code (WAC) 458-20-100.</p> <p>NOTE: In sole proprietorships and partnerships, the owners, partners and their spouses are individually liable for all of the taxes, including the B&O tax and both collected or uncollected retail sales tax.</p>
References	<p>Revised Code of Washington (RCW) 82.32.145 Washington Administrative Code (WAC) 458-20-217</p>

PERSONAL USE OF USED VEHICLES (NEW AND USED CAR DEALERS)

28-1

Personal use of used vehicles taxable

Used vehicle dealers who provide used cars to their sales staff or managers for personal use without charge are subject to use tax.

How is the use tax computed?

The tax is due on one vehicle per year for each sales person or manager who uses one.

How to determine the value

The value for use tax reporting is the average selling price of all used vehicles sold in the preceding year multiplied by 25 percent.

When is the use tax due?

The use tax is due in the month in which the vehicle is first used for personal use.

New vehicle dealers

New vehicle dealers will also pay tax in this manner for used cars furnished to sales staff or manager, **BUT ONLY IF NO NEW CARS ARE PROVIDED** during the course of the year to the manager or sales person.

New and used cars provided

If both new and used cars are provided by a new vehicle dealer to a manager or sales person, use tax liability is figured as described in the sections for demonstrator and executive use vehicles.

See DEMONSTRATION USE OF VEHICLES (Chapter 7) and EXECUTIVE VEHICLES (Chapter 11)

Used car dealer - new car

Purchase of a new car by a used car dealer and used personally by the dealer or person associated with the dealer is subject to retail sales tax at the time of purchase.

References

Revised Code of Washington (RCW) 82.12.020
Washington Administrative Code (WAC) 458-20-132
Washington Administrative Code (WAC) 458-20-178

Car dealers must keep complete and adequate records from which the Department of Revenue may determine any tax for which the car dealer is liable.

Time limit	The Department of Revenue requires that records be kept for the current year, plus four years. In 2000, for example, records should be kept back to January 1, 1996. In the year 2001, records should be kept back to January 1, 1997.
Suggested records	<ol style="list-style-type: none">1. Federal Income Tax Returns - REQUIRED2. Washington Combined Excise Tax Returns - REQUIRED3. General and subsidiary ledgers4. Sales and/or cash receipts journals5. Sales invoices6. Purchase/cash disbursement journals7. Purchase invoices for assets and expense items8. Financial statements9. Resale certificate for wholesale sales10. All other exemption certificates and affidavits required11. Documents showing location and use of dealer plates.
Microfilm and electronic copies	<p>Records may be microfilmed, microfiched, or scanned if the records are authentic, accessible and readable. Appropriate viewing facilities must be available and the data must be indexed, cross referenced and labeled to show beginning and ending numbers and beginning and ending alphabetical listings of all documents included.</p> <p>The procedures for filming or scanning must be in writing with the names of the persons responsible for maintaining and operating the system and the appropriate authorization from boards of directors, partners, owners, etc.</p>

Microfilm and electronic copies (cont.)

The microfilm must be complete and used consistently in regular business.

Procedures for tracing a document and quality control must be available.

Automated data processing system

All Automated Data Process (ADP) accounting systems used to provide records must include a method for producing legible records, which would verify tax liability, reporting and payment.

Filing Requirements

The Department assigns each taxpayer a reporting frequency, either monthly, quarterly, or annually. Generally, the return is mailed and should be received by the 10th of the month in which it is due. However, it is your responsibility to obtain the return if you have not received it. Monthly returns are due on the 25th of the month following the taxable month. Quarterly and annual returns are due on the last day of the month following the taxable period.

Appeals Procedure

A taxpayer who has been issued a notice of departmental action or having paid any tax administered by chapter 82.32 RCW may petition the department for the review of the action or for a determination of the taxpayer's liability for the tax paid.

A review is started by filing a petition for review. A petition must be filed with the department within thirty days after the date the departmental action has occurred. A petition for review requesting a refund of taxes paid must be filed within four years after the close of the tax year in which the taxes were paid.

References

Revised Code of Washington (RCW) 82.32.070
Washington Administrative Code (WAC) 458-20-254
Washington Administrative Code (WAC) 458-20-228
Washington Administrative Code (WAC) 458-20-100

What is it?

The rental car tax is imposed on the retail rental charge for passenger cars used for rental purposes for periods of less than 30 days. Long-term leases are not affected. The Department of Licensing, Motor Vehicle Licensing Division, sets the requirements for determining if a vehicle must be licensed as a rental vehicle.

What is a rental car?

A rental car is described by the Department of Licensing as a passenger car (including 8 person passenger vans and motor homes). A rental car is not:

1. Vehicles rented or loaned to customers by automotive repair businesses while the customer's vehicle is under repair;
2. Vehicles licensed and operated as taxicabs; and
3. Vehicles that are leased.

When is a rental for more than 30 days considered a long-term lease?

When a passenger car is contracted to be rented for more than 30 days, at the time of rental, the transaction is considered a lease. If the vehicle is rented on a daily basis and the vehicle is kept for more than 30 days, the total transaction is considered a daily rental and subject to the rental car tax.

What is the rate?

The rate is 5.9%. This rate is added to the retail sales tax for the location of the origin of the rental and is in effect throughout the state. Counties are permitted to impose a 1% rental car rate, so in certain counties the rate is 6.9%. King County is permitted an additional 2% stadium tax on the retail rental of passenger cars. In addition, cars rented within an area designated as being within the jurisdiction of the Regional Transit Authority (RTA), a 0.4% rate is imposed. If the car were rented in King County and within the RTA, the total rental car rate would be 9.3%.

What is the 1% rental car tax?

The law has authorized counties to impose an additional 1% local retail sales tax on the charge made for rental of vehicles for periods of less than 30 days.

Which counties have the 1% tax?

As of January 1, 2000, King, Pierce, Spokane and Franklin Counties have imposed the 1% tax. When the tax is imposed by a county, affected businesses will be notified.

What is the 1% tax used for?

The funds from this tax are used to finance public sports stadiums, engineering, planning, financial, legal and professional services incidental to public sport stadiums, and youth or amateur sport activities or facilities.

King County is authorized to impose a 2% tax for baseball stadium

Chapter 1, sec 201, 3rd sp s, Laws of 1995, authorized King County to impose a special 2% stadium sales and use tax upon retail car rentals.

Regional Transit Authority

In parts of Snohomish, King and Pierce Counties the RTA has imposed a car rental tax of 0.4%. The RTA boundaries do not follow county lines. Check with the Department of Revenue to determine if you are within the RTA boundaries.

How is this tax reported?

The rental car tax does not need to be separately stated on the customer invoice; however, it must be segregated in the business records so it can be reported on the Combined Excise Tax Return. The Rental Car Tax Addendum must be completed and attached to the return. The tax is due at the time of the rental.

Are there any exemptions from this tax?

The federal government is not required to pay this tax. However, employees or agents of the government renting a vehicle which is not paid for by government voucher or approved government credit card must pay the tax

RCW 82.08.0315 exempts all vehicles used solely for production purposes used by motion picture and video production companies from the retail sales tax. This exemption also applies to the rental car tax.

Fleet loaner cars

When a fleet of “loaner” cars is maintained for customer’s use while their vehicles are being serviced and the loaner cars are loaned at no cost or rented at a fixed daily charge, the rental car tax is not due. The law expressly states that passenger cars owned by an automobile repair business and used for rental or loan to their customers while their cars are being serviced are not considered rental cars.

If the “loaner” car from the fleet is rented to someone who is not having their vehicle repaired, the tax is still not due because the car is primarily for customers who are having their vehicles serviced.

The vehicles must be licensed with the Department of Licensing as passenger cars, not rental vehicles, and all licensing fees must have been paid.

Rentals to auto repair shops by rental car companies

A rental car company may rent vehicles, licensed with the Department of Licensing as rental cars, to auto repair shop’s customers. These are retail sales and the retail sales tax and the rental car tax must be collected.

If the auto repair shop is a duly licensed rental car company and writes its own rental car transaction to its customer and is totally liable for the vehicle, then the rental car company may accept a resale certificate. However, the rental car tax and retail sales tax is due and is to be collected from the auto repair shop’s customer by the repair shop.

Vehicles rented or towed under an original manufacturer’s warranty

When a vehicle is rented while a customer’s car is being repaired under an original manufacturer’s warranty, the rental car tax is due on the retail rental. The retail sales tax is not due. The “Retail Sales Tax Exemption Certificate (Original Manufacturer’s Warranty)”, see page 30-5, must be completed and presented to the rental car company. Under no circumstance may this certificate be used to relieve a person from paying the rental car tax.

When a customer’s car is towed under an original manufacturer’s warranty the Retail Sales Tax Exemption Certificate must be presented to the towing company. See Towing (Chapter 36)

Are the charges for fuel and insurance added to the bill subject to the rental car tax?

When insurance and the cost for a full tank of fuel are added to the bill without giving the renter an option, these charges are considered part of the rental price and are subject to the retail sales and rental car taxes, even when the charges are separately stated.

On the other hand, when the renter is given an option to add insurance or to have the company fill the tank upon return of the vehicle instead of doing it themselves, these charges are **NOT** part of the selling price and are **NOT** subject to the retail sales and rental car taxes.

Additional information

Revised Code of Washington (RCW) 82.08.020(2)
Revised Code of Washington (RCW) 82.08.360
Revised Code of Washington (RCW) 82.14.049
Revised Code of Washington (RCW) 46.04.465
Revised Code of Washington (RCW) 81.104.160



RETAIL SALES TAX EXEMPTION CERTIFICATE

(Original Manufacturer's Warranty)

This certificate is to be used **only** when towing and/or rental car charges are exempt from the retail sales tax because they are covered under an **original manufacturer's warranty** and **may not** be used to relieve any person from the payment of the Rental Car Tax.

The automobile repair shop/business must be authorized to make repairs covered by an original manufacturer's warranty.

The undersigned automobile repair business hereby certifies that the rental car or towing charges are exempt under an original manufacturer's warranty. This certificate shall be a part of each such order under a manufacturer's warranty which the undersigned automobile repair business may hereafter give to the below named rental car business or towing business, unless otherwise specified, and shall be valid until revoked by the automobile repair business in writing.

This certificate is given with the full knowledge that the automobile repair business is solely responsible for purchasing within the categories specified on the certificate. Any misuse of this retail sales tax exemption certificate may subject the buyer to the legally prescribed penalties for fraud and tax evasion imposed by RCW 82.32.090(5).

<i>Rental Car Business or Towing Business</i>	
<i>Name of Automobile Repair Business</i>	<i>Automobile Repair Business' Tax Reporting Account No</i> — —
<i>Address of Automobile Repair Business</i>	
<i>Type of Business (must be a person engaged in repairing motor vehicles)</i>	<i>Items Covered</i> <input type="checkbox"/> Towing <input type="checkbox"/> Rental Cars
<i>Authorized Representative For Automobile Repair Business (please print)</i>	<i>Title</i>
<i>Authorized Representative's Signature</i>	<i>Date</i> / /

Rental Car Business' and Towing Business' Responsibility: Any rental car company or any person engaging in the towing of motor vehicles accepting this exemption certificate in good faith from the buyer at the time of sale or who has a signed exemption certificate from the buyer on file at the time of sale is relieved of liability for retail sales tax with respect to sales covered by this exemption certificate. A copy of this certificate must be retained in the Rental Car Business' or Towing Business' files. **Under no circumstance may this certificate be used to relieve a person from paying the rental car tax.**

To inquire about the availability of this form in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users may call (800) 451-7985. You may also access tax information on our Internet home page at <http://dor.wa.gov>.

Altering, improving, installing, cleaning, normal maintenance procedures, and painting are all taxable in the same manner as a repair.

For consumers

Repairs on vehicles for consumers are retail sales and are subject to tax under the Retailing classification of B&O tax on the total charge made for the repair. Retail sales tax must also be collected on the total charge.

For repairs covered by warranty, see WARRANTIES (Chapter 40)

Wholesale

Charges for repairs performed for persons who will resell the repaired vehicle to another are subject to tax under the Wholesaling-Other classification of B&O tax. A properly completed resale certificate must be given to the company performing the repairs.

Native Americans

Repairs performed on a reservation on vehicles belonging to Native Americans are not subject to retail sales tax. Repairs performed on vehicles for Native Americans off the reservation, but delivered to the reservation are not subject to the retail sales tax. The income should be reported on the Combined Excise Tax Return and a deduction should be taken on the deduction detail sheet under Sales to Indians.

These sales are retail sales and subject to the Retailing B&O tax. However, there may be future changes to this B&O tax treatment. Please be aware of any changes made to WAC 458-20-192.

See NATIVE AMERICANS (Chapter 24)

Parts for repairs

Dealers may purchase parts to repair vehicles without paying the retail sales tax by providing a properly completed resale certificate to the vendor.

Equipment used for repairs

Diagnostic equipment, other equipment and tools used by employees of the dealership to make repairs are subject to the retail sales tax at the time of purchase. If retail sales tax is not paid, the use tax must be paid on the Combined Excise Tax Return at the time the equipment is put to use in Washington.

Consumable supplies

Consumable supplies refer to supplies that are not resold to the customer. The dealership must pay retail sales tax on such supplies used or consumed while performing repairs to customers' vehicles.

Examples

1. The customer brings in a vehicle for an oil change and lube job. As part of the service, all vital fluids are checked. The oil, oil filter, air filter, the lubricants and all vital fluids may be purchased by the dealer using a resale certificate because they are resold to the customer.
2. The customer brings in a vehicle to have its brakes repaired. The brake drum, pads and shoes which are replaced may be purchased by the dealer using a resale certificate. The lubricants and the brake fluid may also be purchased for resale. The total charge to the customer is subject to the retail sales tax.

Certain nonresident exemptions

Person visiting Washington from Alaska, Delaware, Guam, Puerto Rico, Oregon, New Hampshire, Yukon, Montana, Virgin Islands, Alberta and the Commonwealth of North Mariana Islands may receive an exemption from the retail sales tax on the parts used in repair of their vehicles. **The labor is subject to the retail sales tax.**

The dealer must see one piece of picture identification proving the customer is from one of these locations. A record showing the type of proof accepted, including any identification numbers and the expiration date, must be kept in the dealer's files. A copy of the picture ID satisfies this requirement.

ONE PIECE OF ID IS NOT SUFFICIENT TO PURCHASE A VEHICLE - OTHER REQUIREMENTS MUST BE FOLLOWED.

See NONRESIDENTS (Chapter 25)

Other exempt sales

See INTERSTATE AND/OR FOREIGN COMMERCE CARRIERS (Chapter 18) and GOVERNMENT SALES (Chapter 16)

Insurance repairs

See MAINTENANCE AGREEMENTS (Chapter 21) and WARRANTIES (Chapter 40)

References

Revised Code of Washington (RCW) 82.08.0273
Washington Administrative Code (WAC) 458-20-102
Washington Administrative Code (WAC) 458-20-173
Washington Administrative Code (WAC) 458-20-192
Excise Tax Advisory (ETA) 208.04.173
Excise Tax Advisory (ETA) 316.08.193
Excise Tax Advisory (ETA) 322.08.113.173

When customers fail to meet the terms of their contract, dealers and financial institutions have the right to repossess the vehicles.

Bad debt deduction

The person who sold the vehicle and collected the retail sales tax may take a deduction on their Combined Excise Tax Return for both the Retailing B&O tax and the retail sales tax left on the contract. The amount of this deduction should be entered in the Bad Debt category on the deduction detail sheet.

Assignment of Installment Contracts

Banks, financial institutions, and other persons purchasing installment contracts are entitled to a bad debt credit when the retail seller paid the full amount of retail sales tax owed, and the assignee incurred a bad debt because the buyer defaulted on the contract. An assignee may claim a bad debt whether the contract was purchased on a recourse or non-recourse basis, provided that assignee actually incurs the loss and is entitled to the federal income tax bad debt deduction.

Nonrecourse financing

If money is loaned by a bank through nonrecourse financing, the dealer CANNOT take the deductions for the bad debt. Only when the dealer has to pay off the bank (recourse financing), can it take the deductions.

References

Washington Administrative Code (WAC) 458-20-196
Washington Administrative Code (WAC) 458-20-198
Excise Tax Advisory (ETA) 574.08.198

What is it?

A resale certificate is a separate piece of paper or card given by a buyer to a seller of tangible personal property which says the goods:

1. Are for resale in the regular course of business, without intervening use; or
2. Will become a component of goods being resold in the regular course of business; or
3. Are chemicals used in processing an article produced for sale.

What is on a resale certificate?

The resale certificate states the buyer's:

1. Name,
2. Address,
3. Type of business,
4. Registration/UBI number (if required to be registered in Washington,
5. Type of goods purchased,
6. Current date,
7. Signature of the authorized buyer,
8. A statement about being responsible for the purchase and understanding the 50% penalty for misuse, and
9. Name of the seller

Single use and blanket certificates

There are two types of resale certificates. The first is a one-time use certificate and must be given to the seller at the time of purchase. It is good for that purchase only. The second is a blanket resale certificate which may be given to a business which the buyer regularly purchases from. This certificate covers all current and future purchases for four years.

Where do you get one?

Resale certificates may be purchased at business stationery stores or a copy of the example in Washington Administrative Code (WAC) 458-20-102 may be used. A copy of the resale certificate is also on page 33-4. This certificate may be photocopied.

If no certificate

The seller must receive a resale certificate for goods purchased for the reasons listed above or charge retail sales tax on the purchase.

When received

The resale certificate must be received at the time of sale. Certificates received after the sale may not be accepted during an audit.

Are faxed certificates acceptable?

A seller may accept a facsimile copy of a resale certificate, but should get an original as soon as possible.

Registration/UBI number on invoice

The registration/UBI number on an invoice is not sufficient. The seller must receive a signed certificate.

Update/how long to keep

Blanket resale certificates must be updated every four years. A resale certificate should be kept for four years plus the current year after the last transaction using the certificate.

Possible reclassification of sale

During an audit, failure to have a valid, current resale certificate on file may result in the reclassification of the sale from Wholesaling-Other to Retailing B&O tax by the auditor. This will cause the business to owe the retail sales tax for that sale.

References

Washington Administrative Code (WAC) 458-20-102.
Excise Tax Advisory (ETA) 114.08.12.102
Excise Tax Advisory (ETA) 418.12.102.178



RESALE CERTIFICATE

1. Name of Seller: _____
2. Name of Buyer/Business: _____
3. Address of Buyer: _____
Street City, State Zip Code
4. Buyer's UBI/Revenue Registration Number: _____
5. Buyer is in the business of: _____
6. Types of items purchased for resale: _____

The buyer certifies that it is purchasing the items listed on line 6 (please check appropriate box):

- ☐ *for resale in the regular course of business without intervening use.*
- ☐ *for use as an ingredient or component part of a new article of tangible personal property to be produced for sale,*
- ☐ *as a chemical to be used in processing a new article of tangible personal property to be produced for sale, or*
- ☐ *for use as feed, seed, seedlings, fertilizer, or spray materials in its capacity as a farmer.*

*The buyer acknowledges that it is solely responsible for purchasing within the categories listed on line 6. The buyer acknowledges that misuse of the resale privilege subjects the buyer to a **penalty of 50 percent of the tax due**, in addition to the tax, interest, and any other penalties imposed by law.*

Print Name: _____
Name of Person Authorized By the Buyer to Sign the Resale Certificate

Signature: _____
Signature of Authorized Agent of the Buyer

Effective Date: _____ through _____
(Not To Exceed 4 Years)

Date Signed: _____

Seller must maintain a copy. ***Please do not send to Department of Revenue.***
Reference Rule and Statute (RCW 82.08.130 and WAC 458.20.102)

What is classified as a service vehicle?	Vehicles removed from inventory and committed to use as service vehicles, parts trucks, or service department loaner cars are classified as service vehicles. Dealers will often use vehicles for this purpose for only short periods of time.
How are service vehicles taxed?	Dealers may elect to report use tax on either the purchase price of the vehicle or on two percent per month or any fraction thereof that the vehicle is being used as a service vehicle or loaner.
Trade-in deduction	If use tax is reported based on total purchase price rather than on the two percent method, a trade-in deduction is allowed if the vehicle is returned to inventory and concurrently another vehicle replaces this vehicle for use as a loaner or service vehicle. The trade-in value is the wholesale value and generally will be the value recorded by the dealer in the inventory records, exclusive of any refurbishing costs at the time the vehicle is returned to inventory.
Maintenance of service vehicles	Parts used for the repair and maintenance of service vehicles are subject to use tax.
Reference	Washington Administrative Code (WAC) 458-20-132

TAX INCLUDED IN PRICE/TAX PAID BY SELLER

35-1

The law provides that a seller may advertise prices as "including sales tax" or "seller to pay tax" when the following conditions are met:

Conditions	<ol style="list-style-type: none">1. In print, the words "tax included" or "seller to pay tax" must be at least half the size of the advertisement print.2. If oral, the words "tax included" or "seller to pay tax" must be stated in the same volume and inflection as the selling price.3. When advertised prices are listed in a series, the words "tax included" or "seller to pay tax" must be conspicuously located at the head of the list in the same print size.
Invoices/receipts	The law states that regardless of how the purchase price is advertised, retail sales tax must be clearly and separately stated on any purchase order, invoice, receipt or billing document, so the customer can tell the exact amount of retail sales tax on the sale.
Purchaser's right to know	The purchaser has the right to know the exact amount of retail sales tax being paid on its behalf and the actual selling price of the vehicle. The retail sales tax cannot be used to gain a competitive advantage.
Selling price	When the selling price and retail sales tax are not clearly separated, the retail sales tax must be charged on the stated price on the invoice, sales documents or billing invoices. The retail sales tax must be itemized on the buyer's invoice or receipt.
References	Revised Code of Washington (RCW) 82.08.050/.055 Washington Administrative Code (WAC) 458-20-107

In general, towing charges are subject to tax under the Retailing classification of B&O tax and retail sales tax must be collected.

**Towing damaged or inoperable
vehicles**

In special circumstances, the Department will allow towing companies to accept resale certificates. Damaged or inoperable vehicles may be towed to service stations or auto repair shops for repair or servicing and the towing charges will be paid by the service station or auto repair shop. This generally happens as a matter of convenience. The auto repair shop or service station will bill the customer (or insurance company) for the repairs and the towing charges. The charge to the customer is a retail sale subject to the Retailing B&O tax and the retail sales tax.

Under these special cases, a resale certificate may be given to the towing company by the service station or repair shop. The towing company would report this income under the Wholesaling-Other B&O tax classification.

Resale certificates may not be given to the towing company by the service station or repair shop in cases where the charge to their customer is not subjected to the retail sales tax, for example, when repairs are done under a manufacturer's warranty. In such cases, a Retail Sales Tax Exemption Certificate (Original Manufacturer's Warranty) must be presented to the towing company. See page 30-5.

References

Washington Administrative Code (WAC) 458-20-129
Excise Tax Advisory (ETA) 542.08.129

What is a "trade-in?"

"Trade-in property of like kind" means articles of tangible property traded in on property of the same generic classification. This means motor vehicles traded for motor vehicles and licensed recreational land vehicles for licensed recreational land vehicles. Property, such as a motor home, may be allowed as a trade-in in either classification. More than one trade-in is allowed, if the property fits the same generic classification as the item sold.

Licensed vehicle trade-in categories

The licensed vehicle categories for "trade-in property of like kind" are:

1. **Motor Vehicles:** Cars, trucks, trucks with canopies, motorcycles, motor homes, mopeds, ORVs, and wheelchair conveyances.
2. **Trailers:** Boat trailers, utility trailers, animal trailers, commercial trailers, and all other trailers except travel trailers.
3. **Recreational Land Vehicles:** Travel trailers, campers, tent-camper trailers, and motor homes.
4. **Boats.**
5. **Snowmobiles.**
6. **Personal property:** Mobile homes, travel trailers, motor homes, tent-camper trailers, and campers.

What can't be traded?

Examples of trade-ins that don't qualify include:

1. Boats for cars
2. Farm machinery for trucks
3. Recreational land vehicles for cars or pickups
4. Jewelry for motor vehicles

Why trade-in?

For purposes of the retail sales tax measure, the selling price excludes "trade-in property of like kind." This means that dealers will collect retail sales tax from retail customers on the price after the value of the trade-in is deducted.

The seller must accept ownership of the trade-in property and reduce the price of the purchased property **at the time of sale** by the value of the trade-in property. The trade-in must be used as consideration for the purchase of the property.

Trade-in clearly identified

The trade-in value is negotiated between a seller and a buyer. The value and type of trade-in must be clearly identified on the sales agreement or invoice. The value cannot be reduced by over allowances, payoffs or other encumbrances. Payment to lien holders does not decrease the trade-in value. Cash back to the customer for all or a part of the trade-in value does not constitute a trade-in for tax reduction.

Examples

1. A dealer gives the customer a \$4,000 trade-in value on a transaction. The traded-in vehicle is posted in the records at a \$3,000 inventory value and \$1,000 over allowance. The allowable trade-in value is \$4,000.
2. A dealer accepts a trade-in vehicle with a fair market value of \$4,000 upon purchase of a new \$10,000 vehicle. The purchaser still owes \$1,500 on the trade-in vehicle, but the dealer agrees to pay off this remaining balance to the bank. Sales tax exemption is still allowed for the full \$4,000 trade-in value, and sales tax is computed on the remaining \$6,000 of the new purchase price.
3. A dealer accepts a trade-in with a fair market value of \$10,000 on a \$25,000 vehicle. The buyer asks to have \$5,000 in cash. The sales tax exemption is allowed only for the remaining \$5,000. Retail sales tax is computed on \$20,000. The cash given to the customer is not considered part of the trade-in.

Previous tax payment not required

Previous payment of sales or use tax on the item traded is **not a requirement** for trade-in credit. The following are examples of instances when credit for trade-in value is granted:

1. An item purchased in another state by a resident of that state who then becomes a Washington resident.
2. An item received as a gift.
3. An item for which the owner has not transferred title to his/her name before trading it in.

Trade-ins and consignment sales

A consignee may exclude from the sales tax, the value of a vehicle traded-in by a purchaser of a consigned vehicle, provided the traded-in vehicle was delivered as consideration for the purchase of the consigned vehicle.

Applying trade-in to leased items

Owned items (even encumbered) may be traded-in on leased items of like kind. Two methods are used to apply the trade-in value to the lease.

1. The trade-in value may be applied against the value of the leased vehicle, thereby reducing the monthly payments and the sales tax due on those payments.

Example: A dealer leases a vehicle for 36 months at \$250 per month. The value upon which the lease payments are based is \$9,000. A customer trading in a vehicle for \$2,000 reduces the payments to \$195 per month for 36 months. Retail sales tax would be due on the \$195 lease payments.

2. The trade-in value can be applied against the initial lease payments, with no retail sales tax due until it is used up.

Using the example above, retail sales tax would not be collected during the first eight months ($8 \times \$250 = \$2,000$). Retail sales tax would be collected on all of the \$250 lease payments thereafter.

The two methods can also be used in combination with each other.

No B&O tax deduction

The selling price before deducting the trade-in value must be reported in the gross amount columns of the excise tax return under the Retailing and retail sales tax classifications. The "trade-in" deduction is allowed only under the retail sales tax classification. No B&O tax deduction is allowed for the amount attributed to the over allowance.

Summarized each reporting period

Trade-in values should be summarized for each reporting period. Trade-ins on sales to nonresidents should not be included if the total sale is treated as an interstate or nontaxable sale.

Trade-in value exceeds selling price

If the trade-in value exceeds the selling price of the item sold, the selling price should be used as the trade-in value.

References

Revised Code of Washington (RCW) 82.08.010
Washington Administrative Code (WAC) 458-20-247

What is use tax?

Use tax is the tax which is assessed on the use of any tangible personal property in Washington, on which retail sales or use tax has not already been paid.

When due?

Use tax becomes due when purchases are made for use in Washington from a seller not authorized to or does not collect this state's retail sales tax.

Option to pay sales vs. use tax?

If a seller is registered to do business in Washington, the buyer does not have the option to pay retail sales tax or use tax. The retail sales tax must be collected by the seller.

Credit for sales or use tax paid elsewhere

When a local buyer purchases tangible personal property out of state, a dollar-for-dollar credit may be taken for the amount of sales/use tax paid in the other state.

Amount subject to tax

The use tax is due on the value of the goods when they are first put to use in Washington. Items which are purchased without payment of the retail sales tax and immediately put to use in Washington are generally subject to the use tax measured by the purchase price. When the item is first put to use outside Washington, and/or the purchase price does not represent the true value of the item, the value should be determined by using the retail selling price of similar products of like quality and character. When the items are vehicles, the NADA or Blue Book may be used.

Rate of use tax

The use tax is separated into two parts just like the retail sales tax. The state portion is 6.5%. The local portion varies from .5% to 2.1%, depending on the location the goods are put to use.

For example: A Seattle automobile dealership will pay 8.6% use tax on items used in that dealership, while an Olympia dealership will pay 8.0% use tax on the same items.

Intervening use

Often car dealers make purchases for resale, but at a later date, in the course of business, part of the merchandise is put to the dealer's own use. Use tax is due at this time. For example: a car dealer may use such items as grease, oil, anti-freeze, spark plugs, and accessories from inventory stock for use or display upon demonstrator or service cars.

Personal use

Use tax must also be reported on items purchased at wholesale through the company's account for the personal use of the owner, its executives, or employees.

Items subject to use tax

The following items could be overlooked by automobile dealers in determining their tax liability. This list is not all-inclusive. In most cases, retail sales tax will be paid on these items at the time of purchase.

ADVERTISING MATERIAL

Advertising recordings
Advertising mailers
Advertising films
Calendars
Give-away and prize items
News media for distribution
Plastic pennants
Salesmen portfolios
Service promotion kits

OFFICE AND SHOWROOM SUPPLIES AND EQUIPMENT

Air cooler	Computer and canned software
Dealer news	Computer and fax paper
Electric fan	Envelopes
Furniture	Heater key cabinet
Heaters	Magazine and other publications
NADA guides	Order books and sales invoices
Paper towels	Pegboard
Price lists	Record books
Spot lamps	Typewriters

Items subject to use tax (cont.)

PARTS AND ACCESSORIES DEPARTMENT

Air and water hose	Air guns and sprayers
Air compressor	Bins and bin labels
Creepers	Drills and bits
Files and pliers	Flashlights
Floor and transmission jacks	Grinding wheels
Hydrometers	Hammers
Jumper cables	Index and tape
Maintenance of equipment	Manuals
Parts catalogs	Paint and wheel brushes
Screwdrivers	Saws and blades
Shelving	Service contracts
Testing equipment	Stock cards
Welding equipment	Tire changer
	Wrenches

SHOP SUPPLIES

Buffer pads and sponges	Car wash compounds
Chamois	Fender covers
Floor sweeping compound	Masking tape and paper
Rags and wiping cloths	Mechanics cloths
Solvents and sandpaper	Rubbing compound
Steel wool and acid	Steam cleaner liquid

BUILDING MAINTENANCE

Building repairs	Equipment repairs
Lime and fertilizer for shrubbery, lawns	Parking lot sweeping
Roofing materials	Pipe fittings
Window and sign painting	Wall paint

MOBILE EQUIPMENT

Cars for personal use	Demonstrators
Executive cars	Service cars and trucks
Warehouse stock trucks	

References

Chapter 82.12, Revised Code of Washington (RCW)
Washington Administrative Code (WAC) 458-20-132
Washington Administrative Code (WAC) 458-20-145
Washington Administrative Code (WAC) 458-20-178
Excise Tax Advisory (ETA) 418.12.102.178

RIDE SHARING VEHICLES (CAR OR VAN POOLS)

39-1

Ride-sharing vehicle

A ride-sharing vehicle is a vehicle that is used in a car pool or vanpool. The vehicle must be used by a fixed group of no less than five or more than fifteen persons, including passengers and driver. However, where at least two of the persons are confined to wheelchairs when riding, the group can be no fewer than four persons including the driver. The gross vehicle weight may not exceed ten thousand pounds, excluding special rider equipment.

The vehicle must be used to transport these persons between their residences or close proximity and their places of employment or educational or other institutions, in a single daily round trip. The driver must also be on the way to work or education or other institution.

Retail sales/use tax

Vehicles must be used as ride-sharing vehicles for thirty-six consecutive months from the date of application for exemption, in order to be exempt from retail sales tax and use tax.

Persons with special transportation needs

Vehicles used for ride-sharing for groups of persons, including their personal attendants, who because of physical or mental disability, income state, or age are unable to transport themselves or to purchase appropriate transportation, are also exempt from the retail sales and use tax when the vehicles are provided by a public social service agency or a private nonprofit transportation provider.

The driver does not have to be elderly or handicapped.

RIDE SHARING VEHICLES (CAR OR VAN POOLS)

39-2

Other requirements

Vehicles with five or six passengers, including driver, used for commuter ride sharing, must be operated within a county required by law to have a commute trip reduction plan in order to be exempt from retail sales tax and use tax. Additionally, at least one of the following conditions must apply: 1) the vehicle must be operated by a public transportation agency for the general public; or 2) the vehicle must be used by a major employer as an element of its commute trip reduction program for their employees; or 3) the vehicle must be owned and operated by individual employees and registered as part of a commute trip reduction program or with a public transportation agency serving the area where the employees live or work.

References

Revised Code of Washington (RCW) 82.08.0287
Revised Code of Washington (RCW) 82.12.0282
Washington Administrative Code (WAC) 458-20-261

**Manufacturer's warranty included
in price**

A manufacturer's warranty included in the sales price of the vehicle is subject to the Retailing B&O and retail sales taxes.

Repairs by manufacturer

When the repair is made by the manufacturer, the value of labor and parts is not subject to B&O tax.

Repairs by third person

When a person other than the manufacturer does the repairs, the value of the labor and parts is taxed under the Wholesaling-Other classification of B&O tax.

**Other warranties (extended
warranties) not included in selling
price**

The charge for a non-manufacturer's warranty or manufacturer's warranty, often called extended warranties, not included in the sales price and sold for a separate charge is reported under the Service and Other Activities classification of B&O tax when the dealership is the warrantor.

**Repairs under separately stated
warranty**

A repair made by the warrantor under a separately stated warranty is not subject to B&O tax. The value of the parts, however, is subject to use tax.

When the same repairs are made for the warrantor by a person other than the warrantor, the repair is subject to tax under the Retailing B&O tax classification and retail sales tax must be collected.

Deductibles

The amount the customer is required to pay, in addition to any warranty or maintenance agreement payment or amounts not covered by the warranty or maintenance agreement, is subject to the Retailing B&O tax and the retail sales tax.

Commissions for selling third party warranties	<p>Amounts received as commissions or other considerations for selling a warranty of a third-party warrantor are subject to the Service and Other Activities B&O tax, unless the seller is licensed under Chapter 48.17 RCW (insurance agent, broker or solicitor). If the seller is so licensed, the commission is taxed under the Insurance Agent B&O tax classification.</p>
Warrantor purchase of insurance policy	<p>When a warrantor purchases an insurance policy to cover the warranty, amounts received by the warrantor under the insurance policy are insurance claims reimbursements and are not subject to the B&O tax.</p>
Maintenance agreements	<p>See MAINTENANCE AGREEMENTS (Chapter 21)</p>
Example	<p>An automobile dealer sells a vehicle to a customer for \$15,000. This price includes a limited manufacturer's warranty for 5 years or 50,000 miles. The owner then has some warranty work performed by the dealer who is not the manufacturer-warrantor for a cost of \$600 (\$200 parts and \$400 labor), with no deductible.</p> <p>The dealer is liable for:</p> <ol style="list-style-type: none">1. Retailing B&O tax and collection of the retail sales tax on the original selling price of \$15,000.2. Wholesaling-Other B&O tax on the \$600 repair charge. No retail sales tax or use tax is due on the repair parts or labor.

Example (cont.)

The same dealer above also sells its own extended warranty for \$200. The dealer insures itself with an insurance carrier and under the policy; claims are paid on the retail value of the repairs. In addition to the repairs above, the customer has \$500 of repairs under the dealer's extended warranty. The customer pays a deductible of \$100 and the dealer receives \$400 from the insurance carrier. The dealer installed parts costing \$150 and subcontracted part of the repair to an electrical shop that charged the dealer \$200.

The dealer is liable for:

1. Service and Other Activities B&O tax on the \$200 sale of the warranty.
2. Retailing B&O tax and collection of the retail sales tax on the \$100 deductible.
3. No taxes on the \$400 payment from the insurance company, as it is a nontaxable insurance claim reimbursement.
4. Use tax on the \$150 worth of parts taken from inventory.
5. Retail sales tax to the subcontractor on \$200. This subcontractor must also pay the Retailing B&O tax.

Reference

Washington Administrative Code (WAC) 458-20-257

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Prepared by:
Washington State Department of Revenue
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